

FBIS**DAILY REPORT
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LIAOWANG ANALYZES U.S.-SOVIET GENEVA SUMMIT

HK120225 Beijing LIAOWANG in Chinese No 48, 2 Dec 85 p 5

[Article by "special" reporter Ren Zhengde: "Special Dispatch From Geneva" -- "An Initial Analysis of the U.S.-Soviet Summit Talks"]

[Text] U.S. and Soviet leaders reached an agreement on some specific problems after 2 days of talks, and some progress has been noticed in their bilateral relations. However, serious differences still exist with regard to key problems.

From the joint declaration and remarks they made after the talks, we can see that both sides are willing to improve their relations and to continue their political dialogue so as to prevent direct clashes. The talks made it possible for the leaders of the two countries to become initially acquainted with one another. At the talks it was decided that dialogues at various levels will be conducted in the future and agreements on cultural exchanges, aviation security, and establishing more consulates were signed. Reagan said that he is "full of hope for future relations" between the two countries. Gorbachev said that he left Geneva with "an optimistic feeling."

On arms control and the problem of "hot" regions, however, their standards are diametrically opposed to each other. As Gorbachev said, the "differences are quite profound." U.S. Secretary of State Shultz also said that both sides are "sticking to their original stands."

On the key problem of arms control, even principle guidelines are not included in the joint declaration, let alone "practical" content. World public opinion was disappointed by this. The United States and the Soviet Union have held three rounds of arms control talks in Geneva so far, but they are still marking time as each side wants to maintain its own nuclear superiority at the expense of the other. The joint declaration only repeats what both sides have said and indicates the necessity for "speeding up" the Geneva talks. With regard to whether there is a need to extend the U.S.-Soviet agreement on the second stage of strategic arms limitations, which will terminate at the end of December this year, the joint declaration evades mentioning this important problem which demands an immediate solution.

The most heated argument at the talks was about the "star wars" plan. Reagan tried hard to convince his counterpart that his "Strategic Defense Initiative" was neither a "star wars" plan nor a "space offensive weapons" scheme, but a "true defense umbrella" plan. Not only did he persist in his proposals, but he also cited specific items to express his willingness to let the Soviet Union take part in technological cooperation. Gorbachev bluntly refused this and said at a press conference that if the United States persisted in its "star wars" plan, the Soviets "will certainly take corresponding action." It seems that they did not come any closer on this long-disputed problem.

On regional issues, no results were achieved at the talks. Regan, White House chief of staff, told reporters after the talks that when both sides held a plenary meeting to discuss the regional issues, the atmosphere was tense and each side stuck to its own stand. However, Wolfowitz, assistant secretary of state, said on 22 November that "leaders of the two countries held private talks on the regional issues of Afghanistan and Cambodia." But the joint declaration only provides a general indication that the regional issues will be dealt with at the specialist level in the form of regular exchanges of views. This shows that the opinions of the two sides differ widely on these issues.

After the talks, both sides began to propagate the idea that the talks symbolized a "good beginning" in the relations between the two countries and a "point of departure for new relations in the future." Out of consideration for their own strategic needs, the United States and the Soviet Union will be more active in carrying out personnel and cultural exchanges. However, the development of their relations will be restricted because they are strongly opposed to each other with regard to major issues, and arms control in particular.

The top-level political dialogue between the two superpowers will produce and impact on and provide some new factors in the international situation. Observers here were of the opinion that the talks will bring about an atmosphere of relaxation and be beneficial to continuing their dialogue. On the other hand, these observers maintained that not only will the two countries continue their nuclear arms race, which is aimed at gaining nuclear superiority, but they will also accelerate their contention in space. New trends will arise in the two aspects of U.S.-Soviet confrontation and U.S.-Soviet dialogue, but it is very difficult for a fundamental change to take place in the situation with its dual nature of confrontation and dialogue.

After the announcement of the joint declaration between Reagan and Gorbachev, leaders of the countries allied to each side expressed their support for the outcome of the summit meeting. Leaders and public opinion in some Third World countries also welcomed the results of the U.S.-Soviet summit talks. Mexican President De la Madrid said in his 22 November message to the summit talks that the Geneva dialogue was a step which merits attention, and hoped that the United States and the Soviet Union would strive for the conclusion of an agreement on nuclear arms limitations and reduction. The Algerian news agency issued a statement on the outcome of the U.S.-Soviet summit talks, saying that the people of the world hoped that the United States and the Soviet Union will hold nuclear disarmament talks worthy of the name, rather than allowing their differences to continue. These responses indicate that although key problems were not solved in the talks, the relaxation of U.S.-Soviet relations is, after all, beneficial to world peace. The people of all countries, and of the Third World countries in particular, hope that the United States and the Soviet Union will, as they have said, abandon their contention for military superiority, enter into sincere and serious negotiations, and conclude agreements not harmful to the interests of third countries on major issues such as large-scale disarmament, preventing the expansion of the arms race into space, and stopping their intervention in conflicts in "hot" regions, in order to bring about real relaxation in the international situation.

FURTHER REPORTAGE ON U.S.-USSR MOSCOW TRADE TALKS

Gorbachev, Baldrige Meet

OW111127 Beijing XINHUA in English 1117 GMT 11 Dec 85

[Text] Moscow, December 10 (XINHUA) -- Soviet leader Mikhail Gorbachev today dismissed any major bilateral trade development with the United States if Washington continues to deny Moscow most-favoured-nation status.

At a Kremlin dinner for U.S. Commerce Secretary Malcolm Baldrige and more than 100 U.S. business executives visiting the Soviet Union, Gorbachev urged the U.S. to remove "political obstacles" to the strengthening economic ties between the two countries.

The Soviet leader accused the United States of carrying out a "policy of boycotts, embargoes, 'punishments' and broken trade contracts that has become a habit with Washington."

He told the U.S. guests attending a session of the Soviet-U.S. Trade and Economic Council that "so long as those obstacles exist, there will be no normal development of Soviet-U.S. trade and other economic ties on a large scale." "We will not beg anything from the United States," Gorbachev said. "We can live without you and you without us, especially as there are plenty of other trading partners in the world today," he added. The Soviet leader mentioned that the United States was only 13th among Soviet trading partners and among these countries, which trade with the U.S., the Soviet Union ranks only 16th. It was reported that since 1979 the United States has dropped from Moscow's number two capitalist trading partner to number five last year.

Meanwhile, Nikolay Ryzhkov, chairman of the Soviet Council of Ministers, told the American members of the U.S.-Soviet Trade and Economic Council at a meeting today that the Soviet-U.S. Geneva summit opened up opportunities for normalizing the relations of the two countries. However, the Soviet chairman said that U.S. discriminatory trade policy does not promote these opportunities.

The Soviet Union and the United States today held a full session of their trade and economic council for the first time in seven years. During the session, U.S. Chairman of the Council D. Andreas said there is still a long way to go towards normalizing U.S.-Soviet trade relations. U.S. President Ronald Reagan sent a message today to the council meeting, saying commerce is essential to better relations.

The council was set up to include private U.S. corporations and Soviet state-sponsored trade organizations, with the assistance of the U.S. commercial department, to develop trade ties between the two countries. The meeting is scheduled to end tomorrow.

Council Meeting Ends

OWL20815 Beijing XINHUA in English 0742 GMT 12 Dec 85

[Text] Moscow, December 11 (XINHUA) -- Hundreds of U.S. and Soviet business leaders today called for Washington to grant the Soviet Union most-favored-nation status as they ended their three-day meeting with a joint resolution. "We are forced to recognize that there remain more than a few unresolved problems" in developing bilateral trade, says the resolution, which was adopted at the latest session of the U.S.-Soviet Trade and Economic Council. However, at a news conference following the meeting, attended by some 400 U.S. businessmen, U.S. Co-chairman of the council Dwayne Andreas declined to indicate the U.S. businessmen will stage of campaign in the U.S. Congress to make favorable changes.

Soviet leader Mikhail Gorbachev yesterday warned at a Kremlin dinner for the U.S. businessmen that unless Washington grants Moscow most-favored-nation status there will be no major trade development between the two countries. The United States was only 13th among Soviet trading partners and among those countries trading with Washington, the Soviet Union ranks only 16th. Since 1979 the United States has dropped from Moscow's number two capitalist trading partner to number five last year.

The resolution of the trade council said participants of the two countries are "decidedly in favor of granting to the Soviet Union most-favored-nation status and in favor of extending to the Soviet Union export credits, which constitute the most important prerequisites for effecting a fundamental increase in the volume of Soviet-American trade."

Despite calls by both sides for an increase in trade, the council meeting concluded without any new major sales contracts. However, the Soviet co-chairman of the council, Vladimir Sushkov, said at the news conference that both sides had made "many impressive decisions" during the three-day meeting and agreed to hold a major U.S. technological exhibition in the Soviet Union next year. Sushkov said bilateral trade volume will topple the 1979 record of 4.5 billion U.S. dollars this year. However, he complained that the growth was mainly a result of U.S. grain but not technology sales.

The U.S.-Soviet Trade and Economic Council was set up in the mid-1970s to include private U.S. corporations and Soviet state-sponsored trade organizations, with the assistance of the U.S. Commerce Department, to develop trade ties between [words indistinct].

U.S. Commerce Secretary Malcolm Baldrige, who left Moscow today after attending the council meeting, said earlier that increased trading relations cannot solve all problems facing the two countries and that trade relations must move parallel to a great extent [words indistinct] be granted.

UN REPRESENTATIVE ON CENTRAL AMERICA ISSUE

OW120832 Beijing XINHUA in English 0818 GMT 12 Dec 85

[Text] United Nations, December 11 (XINHUA) -- The removal of all outside interference is the fundamental way to eliminate tensions in Central America, said Li Luye, Chinese permanent representative to the U.N. today. Li addressed the U.N. Security Council, which is continuing to debate the situation in Central America.

Li said that China opposes the intimidation, interference, infiltration and sabotage carried out by any outside force in whatever form and under whatever pretext in Central American countries. He said that all disputes among the countries in the region should be settled through negotiations, which should respect the aspirations of the Central American people.

Natarajan Krishnan, permanent representative of India, said that Nicaragua has the right, as do all states, to be master of its own destiny.

Carlos Alzamora, permanent representative of Peru, said that the Contadora peace process remained the sole viable alternative for achieving peace in the region.

Representatives of Mexico, Syria, Iran, Cuba, the Soviet Union and Vietnam also spoke at the meeting. The council debate continues tomorrow.

YANG DEZHI ATTENDS MILITARY ATTACHES' RECEPTION

OW061639 Beijing XINHUA in English 1620 GMT 6 Dec 85

[Text] Beijing, December 6 (XINHUA) -- Foreign military attaches in Beijing gave a reception here tonight, thanking the Chinese National Defense Ministry for organizing trips within China over the past year.

Among those present were Yang Dezhi, chief of the General Staff of the Chinese People's Liberation Army (PLA), and other high-ranking PLA officers.

U.S. URGED TO TAKE 'WISE ACTIONS' ON TEXTILE BILL

OW111608 Beijing XINHUA in English 1556 GMT 11 Dec 85

["China Urges U.S. Administration To Veto Textile Import Quota Bill" -- XINHUA headline]

[Text] Beijing, December 11 (XINHUA) -- China, voicing concern over the protectionist U.S. textile quota bill, today urged the U.S. Administration to take "wise actions" to prevent any decline in Sino-U.S. trade. The textile bill, which would force sharp cut-backs in textile and apparel imports into the U.S. market, has been passed by the Senate and the House of Representatives. It has been sent to President Ronald Reagan.

A spokesman for the Ministry of Foreign Economic Relations and Trade told XINHUA today that China has reiterated several times its opposition to the textile quota bill. "What should be pointed out," he said, "is that at present, Sino-U.S. trade remains in a favorable trend of development, notably the rapid increase of China's imports from the United States." "However," he noted, "as a result of the increasingly serious U.S. measures on textile import cuts, the immediate threats of this bill in particular, China's textile and clothing exports to the United States have been on the decline, thus further enlarging China's trade deficits with the United States." He warned that if the protectionist textile bill is put into effect, "it would eventually affect more seriously China's exports to the United States." "Therefore," he added, "it would consequently affect China's imports from the United States."

The spokesman said that China is "deeply concerned over the situation and hopes the U.S. Administration, with an overall view of the development of bilateral economic and trade relations, would weigh the advantages and disadvantages and take wise actions to prevent any harm to bilateral trade from occurring."

U.S. Trade Representative Clayton Yeutter has indicated he would ask President Reagan to veto the protectionist bill. Earlier, the President had said he would veto any protectionist bills.

U.S. FOREIGN TRADE DEFICIT HITS RECORD HIGH

OW120903 Beijing XINHUA in English 0832 GMT 12 Dec 85

[Text] Washington, December 11 (XINHUA) -- The United States foreign trade deficit surged to a record 33.1 billion dollars during the third quarter of this year, the Commerce Department reported today.

The third quarter deficit topped the old record of 30.9 billion dollars set in the fourth quarter last year. The deficit in the first quarter this year fell to 23.5 billion dollars before rising by 21.9 percent to 28.6 billion dollars in the second quarter. The 15.9 percent further rise in the third quarter deficit supported predictions that 1985 would be the United States' worst trading year in history.

During the third quarter, imports rose 4 percent to 85.5 billion dollars, with the largest increases being in consumer goods. Exports declined 3 percent to 52.3 billion dollars, the lowest export total in two years, as agricultural exports dropped to the lowest level since 1979.

The report differs from the monthly trade figures released because it excludes military trade of U.S. defense agencies, shipping and insurance costs and includes gold exports and some adjustments.

PRAVDA DENIES WEINBERGER'S 'SLANDEROUS CHARGES'

OW111734 Beijing XINHUA in English 1547 GMT 11 Dec 85

[Text] Moscow, December 11 (XINHUA) -- The Communist Party newspaper PRAVDA today denied U.S. Secretary of Defense Caspar Weinberger's accusation that the Soviet deployment of the mobile international ballistic missile RS-12m violated the SALT-2 Treaty.

Before last month's Soviet-U.S. summit in Geneva, Weinberger sent a letter to President Ronald Reagan accusing the Soviet Union of deploying a new missile, the RS-12m, and urged Reagan not to agree to continued observance of the SALT-2 Treaty.

PRAVDA called Weinberger's accusation "slandorous charges," arguing that the RS-12m missile is only a modernized version of the RS-12 missile (known in the West as SS-13), making the fixed RS-12 missile mobile but not changing its characteristics. PRAVDA said the deployment of the RS-12m missile is "in full conformity with the provisions of the SALT-2 Treaty," adding that the Soviet Union "unswervingly meets its commitment to the treaty."

The newspaper pointed out that Weinberger's charges were aimed at preventing the Soviet Union from deploying the mobile missiles because such a deployment increases the survivability of the Soviet strategic force and makes a U.S. first strike against them less vulnerable. PRAVDA demanded the United States take an active position to the armament and abide by the SALT-2 Treaty and other existing agreements signed by the two superpowers.

The SALT-2 Treaty was signed in June 1979 by former Soviet leader Leonid Brezhnev and ex-President of the United States Jimmy Carter. Although the U.S. House of Representatives has not ratified the treaty, the U.S. Administration has expressed its desire to adhere to it. The treaty expires at the end of this year.

COMMANDER OF SOVIET NAVY REPORTEDLY REPLACED

OW111530 Beijing XINHUA in English 1448 GMT 11 Dec 85

[Text] Moscow, December 11 (XINHUA) -- Admiral Sergey Gorshkov, commander of the Soviet Navy for 29 years, has been replaced by one of his deputies, the Army daily KRASNAYA ZVEZDA (RED STAR) indicated today.

Gorshkov's replacement by Admiral Vladimir Chernavin, 57, first deputy commander of Naval Forces, was the latest in a series of changes in the top ranks of the Soviet military since Mikhail Gorbachev became Soviet leader last March.

The KRASNAYA ZVEZDA today indicated the change when it reported "Naval Commander in Chief Chernavin" arrived in Tunis for a visit.

Gorshkov, 75, was appointed to the position in 1956. There were no reports about his present position.

DPRK SEEKS JOINT VENTURES WITH FOREIGN COUNTRIES

OW120120 Beijing XINHUA Domestic Service in Chinese 1415 GMT 10 Dec 85

[Text] Pyongyang, 10 Dec (XINHUA) -- According to an official of the International Economic Department of Korea, Korea has all the conditions for carrying out joint ventures with other countries. He added that there are broad prospects for joint ventures in Korea. The unidentified official made these remarks in an interview with the Editorial Department of the government paper MINJU CHOSON, which published the interview today.

More than 1 year after Korea published its "Joint Venture Law" in September 1984, Korea has again drawn up the "Law of Income Tax of Joint Ventures" and the "Law of Foreign Nationals' Income Tax." According to the official, having created all the necessary conditions, Korea is prepared to carry out joint ventures with other countries.

Commenting on the results accomplished after the promulgation of the "Joint Venture Law" over 1 year ago, the official said that during the past year or so, Korea has actively promoted cooperative production and joint ventures in various fields with companies, enterprises and individuals of many countries, and the cooperative production and joint ventures of many projects have already begun.

The official added that Korea relies essentially on its own resources in developing its economy, and joint ventures represent just a small percentage in Korea's economic development. He added, however, that Korea's independent national economy is by no means a "closed economy" as certain people have claimed, and it is also necessary for an independent national economy to develop all forms of economic relations with other countries.

The official said, an increasing number of countries are seeking economic cooperation and technical exchanges with Korea. This is highly encouraging. He said, Korea is willing to develop economic cooperation and exchanges with companies and individuals of all countries which respect Korea's independence and which are friendly to Korea on the basis of the principles of equality and reciprocity. Interested parties may carry out joint ventures in any department in accordance with mutual agreements, he said.

XINHUA REPORTER ON DPRK'S 1985 ECONOMIC GAINS

OW111447 Beijing XINHUA Domestic Service in Chinese 0847 GMT 10 Dec 85

[By reporter Gao Haorong]

[Text] Pyongyang, 10 Dec (XINHUA) -- The remarkable characteristics in Korea's economic construction in 1985 are strengthening the leadership over economic work, continuously adopting measures to improve the economic flow, and making great efforts to develop light industrial production.

After establishing the Economic Policy Committee in January 1984, Korea again announced last May the establishment of the Administrative Economic Guidance Committees in all provinces and cities. As a result, Korea's economic leadership has become more concentrated and effective. A joint meeting of the Workers Party of Korea [WPK] Central Committee's Political Bureau and the Central People's Committee held in November decided to merge the State Administration Council's 12 ministries and committees that exercised leadership over economic work into 5 committees and appoint 3 vice premiers to be concurrently chairmen of 3 of the 5 committees.

This measure has reduced the levels of leadership over the economic work and strengthened the leadership over economic work.

To improve economic management, the Korean party and government call for all departments to act in accordance with the economic law, use the economic lever to combine the means and method of distribution with the working masses' immediate interests, so that they become a weapon to develop the masses' enthusiasm for production. The Korean party and government also suggest that enterprises' limits of authority and their relative independent nature be expanded, and encourage all departments to create, according to the actual situation, the method of using the economic lever.

Over the past year, Korea's industrial and agricultural departments have adopted some new measures to improve economic management. First of all, they have expanded the scope of the independent accounting system from grass-roots-level plants and other enterprises to integrated complexes and productive administration bureaus. In addition, they have changed some nonproductive units step by step into semi-independent accounting system units, which will rely on their own efforts to carry out economic activities and use their income to replace part of state appropriations, thereby helping to reduce the state's burden, increasing workers' incomes, and implementing the principle of distribution according to work in a still better way. Next, the industrial departments have adopted various responsibility systems to develop workers' enthusiasm for work. At the beginning of this year, the integrated coal mining enterprise in the Anju area, one of Korea's main energy supply centers, first implemented the "progressive personal responsibility system," allowed smaller units to adopt the responsibility system, stipulated a system of rewards and penalties in different proportions, and acquired good experience. This kind of responsibility system was soon disseminated in the coal mines and mining and forestry departments with very good results. Other industrial departments, in accordance with their own situations, also separately adopted the technical target responsibility system, work point responsibility system, and personal responsibility system to improve enterprise management.

In the agricultural departments, cooperative farms in all localities of Korea have continuously summed up experience and further improved the regulations on implementing the system of group management. Since the end of last year, in accordance with the actual situation, cooperative farms in all places have reorganized groups, readjusted the scope of groups, and done their best to incorporate the labor of one household into the same group. Within each group, the subgroup responsibility system, the plot responsibility system, and other responsibility systems have been flexibly implemented according to farm work seasons and needs. In addition, cooperative farms have expanded to groups the scope of the system of giving preferential treatment to work teams and transferred the power of drawing up plans for the expenditure of the principal agricultural funds to groups. It was learned that these measures are helpful to using the economic lever in agricultural production, calculating work points on the basis of work done, and developing farm workers' enthusiasm. Some cooperative farms, after adopting these measures, have achieved initial success.

The Korean party and government have also emphasized developing light industrial products. This year Korea has increased investments, imported foreign equipment, built more raw material bases, and adopted other measures to guarantee the normalization of production of light industrial plants. The Korean State Administration Council recently approved the "temporary provisions on plants and other enterprises setting up workshops and work teams for producing daily necessities," thereby for the first time calling, in the form of law, for all plants and other enterprises that are capable of producing daily consumer goods to set up workshops or work teams for exclusively producing daily consumer goods. In addition, the scope of workshops and work teams, the way products are produced and marketed, and material rewards based on production have also been stipulated in great detail.

The Korean party and government also encourage cooperative farms and city neighborhoods to set up workshops and work teams to produce daily consumer goods and allow and encourage unoccupied craftsmen to engage in some individual economic work that can provide conveniences for the people. This has further developed the potential for production.

COMPENSATION FOR BAD JAPANESE TV SETS CLAIMED

OWO90752 Beijing XINHUA in English 0737 GMT 9 Dec 85

[Text] Beijing, December 9 (XINHUA) -- The Japanese exporter of Orion brand color TV sets agreed to compensate Chinese buyers of 80,000 inferior quality TV sets and provide elements for repairs, according to an open letter from the Ministry of Foreign Economic Relations and Trade and the Ministry of Commerce.

The Orion color televisions were imported by Xiamen City and some other provinces and cities from the end of last year to May of this year. Sample examinations found that there were serious quality problems. The news was disclosed by the paper INTERNATIONAL BUSINESS on August 1 and aroused strong repercussions among the consumers.

The open letter by the two ministries informed the consumers of the compensation and asked buyers to have bad sets replaced or repaired.

HU YAOBANG MEETS JAPANESE WRITER YAMAZAKI

OWO70912 Beijing XINHUA in English 0853 GMT 7 Dec 85

[Text] Beijing, December 7 (XINHUA) -- Chinese Communist Party General-Secretary Hu Yaobang met Toyoko Yamazaki, an well-known Japanese writer, here this morning. Yamazaki is making her fourth visit to China to collect materials for a novel on China.

Hu wished Yamazaki to write more good works while he told him her experience in visiting north China's Hebei Province.

Yamazaki has come at the invitation of the Chinese Academy of Social Sciences.

GU MU MEETS JAPANESE COMPANY CHAIRMAN

OW111225 Beijing XINHUA in English 1220 GMT 11 Dec 85

[Text] Beijing, December 11 (XINHUA) -- State Councillor Gu Mu met with Masao Kamei, chairman of the board of the Sumitomo Electric Industries, Ltd. of Japan, and his party, here today. They had a friendly talk on bilateral exchange and co-operation in optical telecommunication technology.

The Japanese visitors arrived here December 8 for a friendly visit as guests of the Chinese Ministry of Posts and Telecommunications.

FURTHER ON JI PENGFEI VISIT TO HONG KONG

OW111538 Beijing XINHUA in English 1524 GMT 11 Dec 85

[Text] Hong Kong, December 11 (XINHUA) -- Both Hong Kong Governor Edward Youde and Chinese State Councillor Ji Pengfei here this evening expressed the wish that Hong Kong will maintain its stability and prosperity. The occasion was a banquet given by Youde in honor of Ji who arrived here yesterday for a visit at Youde's invitation.

In his speech Youde said that Hong Kong is a dynamic city and depends very much on overseas trade. Hong Kong's traditional markets in the United States and Europe remain very important. Youde said, adding that the rapid growth of Hong Kong's direct and entrepot trade with the Chinese mainland in recent years has been a welcome and significant new element in Hong Kong's economic life. A city such as Hong Kong, he said, "has had continuously to adapt its society and its economy to meet the challenges of a competitive world and the aspirations of its residents for a better and fuller life." "To maintain its position," he said, "it requires continuing investment in the city's infrastructure, its communications, by land, sea and air, education and medical facilities and all the other services essential to a successful modern economy and stable society." He told Ji: "You will also find in the community here a unity in our determination to preserve the stability and prosperity of Hong Kong and to make a success of the joint declaration."

In reply, Ji, who is also director of the Hong Kong and Macao Affairs Office under China's State Council, said that over the year since the signing of the Sino-British joint declaration, "the Hong Kong people have become increasingly confident of the future." "The economic and social situation has been fairly good, and the Sino-British Joint Liaison Group and the Sino-British Land Commission have been operating smoothly," he added. "We hope that this good situation will continue and develop further," he said. He described the Sino-British relations as having entered a "new period."

The exchanges and cooperation between China's mainland and Hong Kong in the economic, trade, cultural and scientific-technological fields have become closer and developed further, Ji said. "I hope and believe," he said, "that in the days to come we and our British friends, each on their own part, will continue, in the spirit of friendship and cooperation, work hard for the maintenance of the stability and prosperity of Hong Kong, the smooth transfer of government in 1997 and the full and accurate implementation of the Sino-British joint declaration."

Earlier today, Ji attended a luncheon hosted by Chief Secretary of the Hong Kong Government David Akers-Jones.

HONG KONG BASIC LAW CONSULTATIVE COMMITTEE COMMUNIQUE

HK120836 Beijing XINHUA Hong Kong Service in Chinese 1045 GMT 11 Dec 85

[Text] Hong Kong, 11 December (XINHUA) -- Following is the full text of the press communique of the first meeting of the Executive Committee of the Basic Law Consultative Committee:

From 1130 to 1315 on 11 December, the Executive Committee of the Basic Law Consultative Committee of the Hong Kong Special Administrative Region of the PRC held its first meeting at a meeting place.

All members of this committee were present. The meeting made preparations for the coming inaugural meeting, which is to be held on 18 December, and decided to give a banquet at the Lee Gardens Hotel in the name of the Consultative Committee on the evening of 18 December in honor of Ji Pengfei, state councillor of the PRC, director of the State Council's Hong Kong and Macao Affairs Office and director of the Basic Law Drafting Committee of the Hong Kong Special Administrative Region, Li Hou, deputy director of the Hong Kong and Macao Affairs Office and secretary general of the Basic Law Drafting Committee, and their party, as well as other members of the Basic Law Drafting Committee residing in Hong Kong.

The meeting held that the previous meeting of the Executive Committee, held on 6 December, was only an unofficial meeting to exchange views, because a 7-day notice was not given prior to it. But before this meeting was convened, all members of the Executive Committee signed a document waiving the 7-day notice, thus enabling the successful convening of the first meeting of this committee.

At today's meeting, which was presided over by interim chairman T.S. Lo, the Executive Committee members elected the director for this committee. After that, the newly elected director, T.K. Ann, chaired the election of the deputy directors and the secretary general. As a result, Wong Kwan-cheng, Rayson Huang, T.L. Yang, Philip Kwok, and Li Kai-ming were elected deputy directors of the committee, and Mao Junnian, the secretary general.

The meeting also decided to establish three subordinate committees: the Financial Committee, with Wong Kwan-cheng as the temporary chief organizer; the Work Procedure Committee, with T.L. Yang as the temporary chief organizer; and the Group Planning Committee, with Rayson Huang as the temporary chief organizer. The meeting instructed the three committees to submit their work proposals at the next meeting of the Executive Committee. The meeting also announced the dismissal of the preparatory office of the Consultative Committee and the establishment of the Secretariat to deal with the routine work of the committee.

Around the convening of the preparatory meeting for the establishment of the Consultative Committee, people from various social circles have offered many suggestions and opinions for the Consultative Committee. This shows that they are concerned with this committee. For this, the Executive Committee of the Consultative Committee wishes to extend sincere thanks to them and hopes that they will continue to offer their constructive suggestions in the future, so that the Consultative Committee may work better.

LI, ZHAO CABLE MESSAGES ON THAI NATIONAL DAY

BK051058 Beijing International Service in Thai 1330 GMT 4 Dec 85

[Text] On the occasion of King Phumiphon Adunyadet's birthday on 5 December, Chinese President Li Xiannian and Premier Zhao Ziyang on 3 December cabled greetings messages to King Phumiphon Adunyadet and to Prime Minister General Prem Tinsulanon respectively conveying their heartfelt felicitations on the occasion of the king's birthday and Thailand's National Day. The cable sent by President Li Xiannian reads:

Bangkok

Your Majesty King Phumiphon Adunyadet:

On the occasion of your majesty's 58th birthday, on behalf of the Chinese people and in my own name, I am extending to your majesty our felicitations and sincere wishes.

I. 12 Dec 85

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PRC INTERNATIONAL AFFAIRS
SOUTHEAST ASIA & PACIFIC

When I visited your country in March this past year, I was accorded a warm and grand welcome by your majesty and the Thai people. I was very impressed. I cherish highly this sincere friendship with your majesty.

I hope that our personal friendship as well as the friendship and cooperation between the Chinese and Thai people will develop forever. May I express my best wishes to your majesty and her majesty the queen. May the Kingdom of Thailand enjoy stability and prosperity and the Thai people enjoy happiness.

[Signed] Li Xiannian, president of the PRC

[Dated] 3 December 1985, Beijing.

The message of Premier Zhao Ziyang reads:

Bangkok

Your Excellency General Prem Tinsulanon, prime minister of the Kingdom of Thailand:

On the occasion of Thailand's National Day, on behalf of the Chinese people and in my own name, I extend to your excellency and through you to the government and the people of Thailand our felicitations and sincere wishes.

Over the past 10 years, since the establishment of diplomatic relations between Thailand and China, our two countries have coexisted in mutual respect and trust. We have forged close cooperation and friendly relations in political, economic, cultural, and other fields. This has not only responded to the common desire and fundamental interests of the Chinese and Thai people, but also contributed to stability and peace in Asia. I believe that Sino-Thai relations will develop steadily.

I wish the government and people of the Kingdom of Thailand new successes in their task of defending national sovereignty and territorial integrity and of economic and social development. I hope Thailand will enjoy stability and prosperity and its people will enjoy happiness.

[Signed] Zhao Ziyang, premier of the PRC

[Dated] 3 December 1985, Beijing.

HU YAOBANG MEETS VISITING ROMANIAN DELEGATION

OW101230 Beijing XINHUA in English 1223 GMT 10 Dec 85

[Text] Beijing, December 10 (XINHUA) -- General Secretary Hu Yaobang of the Chinese Communist Party Central Committee met with a delegation from the Romanian Socialist Democracy and Unity Front (RSDUF) here this afternoon.

During the meeting, Hu had a cordial talk with delegation leader Tama Rasmara Dobrin, who is executive chairman of the RSDUF's National Council. They reviewed with satisfaction the traditional friendship between the people of China and Romania. Hu also briefed the visitors on the latest developments of China's relations with other countries.

Dobrin said that the week-long visit of her delegation has built closer ties between RSDUF and the Chinese People's Political Consultative Conference (CPPCC), both are political consultative bodies uniting people in various walks of life.

CPPCC National Committee Vice-Chairmen Yang Jingren and Kang Keqing were present at the meeting. The visitors, who have toured Henan Province, Quanzhou and the Shenzhen Special Economic Zone, leave here for home tonight.

CSSR DELEGATION LEAVES BEIJING FOR HOME

OW120528 Beijing Domestic Service in Chinese 1200 GMT 11 Dec 85

[Text] The Czechoslovak Government delegation headed by Obzina, deputy premier and minister-chairman of the State Commission for Research and Development and Investment Planning, has concluded its official visit to China and left Beijing for home by special plane this morning.

HU QILI MEETS BELGRADE FRIENDSHIP GROUP 9 DEC

OW091226 Beijing XINHUA in English 1207 GMT 9 Dec 85

[Text] Beijing, December 9 (XINHUA) -- Hu Qili, member of the Political Bureau of the Chinese Communist Party Central Committee, met with a delegation from Belgrade, Yugoslavia, led by President of the City Assembly Bogdan Bogdanovic here this afternoon. This is the first friendship delegation from Belgrade since Beijing and Belgrade established friendly ties in 1980.

Hu Qili exchanged views with Bogdanovic on city construction and communications. Both hoped for further exchanges and cooperation between the two cities in political, economic and other fields.

Present on the occasion were Beijing Mayor Chen Xitong and Yugoslav Ambassador to China Zvone Dragan.

The delegation arrived here on December 6 at the invitation of the Beijing Municipal People's Government.

CORRECTION TO JOURNAL ON ALBANIA AFTER HOXHA'S DEATH

The following correction pertains to the item headlined "LIAOWANG Discusses Albania After Hoxha's Death" published in the 10 December China DAILY REPORT, page H 2: The headline should read: "BAN YUE TAN on Albania After Hoxha's Death" The sourceline should read: HK040541 Beijing BAN YUE TAN in Chinese No 21, 10 Nov 85 pp 58-59 (correcting name of journal)

FURTHER REPORTAGE ON WU XUEQIAN'S IRAQ VISIT

Talks With Iraqi Counterpart

OW120148 Beijing XINHUA in English 0113 GMT 12 Dec 85

[Text] Baghdad, December 11 (XINHUA) -- Chinese State Councillor and Foreign Minister Wu Xueqian and Iraqi Deputy Prime Minister and Foreign Minister Tariq 'Aziz held two rounds of official talks on the further development of bilateral friendly relations and cooperation. In a cordial atmosphere, the two sides also discussed on international problems of common concern and reached identical views on them.

'Aziz said that the Iraqi Ba'th Party and government attach great importance to the development of relations between Iraq and China. "Iraq and China have similar or identical views on many important international issues because both of them belong to the Third World and insist on a policy of maintaining independence and keeping the initiative in their own hands," he added. He expressed his hope that the friendship and cooperation between the two countries would be further strengthened through the visit of Minister Wu.

Wu Xueqian said that in the past few years, thanks to the mutual visit of leaders of the two countries the relations between China and Iraq have been developing smoothly and rapidly. Under the guidance of the five principles of co-existence, he added, the two countries have deepened mutual understanding and established mutual trust. He also expressed the hope that the relations between the two countries would further develop. On the Iraq-Iran war, Wu said, China will continue to make positive efforts to help end the war.

The Chinese foreign minister came here Tuesday for a visit to Iraq at the latter's invitation. He will also visit Jordan, Syria, Egypt and the United Arab Emirates.

Meets President Husayn

OW120902 Beijing XINHUA in English 0852 GMT 12 Dec 85

[Text] Baghdad, December 12 (XINHUA) -- Iraqi President Saddam Husayn met here yesterday afternoon with visiting Chinese State Councillor and Foreign Minister Wu Xueqian and exchanged views with him on international issues and bilateral relations.

On behalf of Chinese President Li Xiannian, the Chinese foreign minister invited the Iraqi president for a visit to China at a time of his convenience. President Husayn said he accepted the invitation with pleasure. During their talk, both President Husayn and Chinese Foreign Minister Wu expressed satisfaction and paid high tribute to the development of the friendly relations between the two Iraq and China. Foreign Minister Wu Xueqian explained to the Iraqi President China's independent foreign policy and the policy of enlivening the domestic economy and opening door to the outside world.

President Husayn said that China's modernization will contribute to international stability and progress in the Arab world.

The Chinese foreign minister arrived in Baghdad Tuesday night for a three-day visit at the start of a Middle East tour that will also lead him to Jordan, Syria, Egypt, and the United Arab Emirates (UAE).

SONG LI REFLECTS ON DECEMBER 9TH MOVEMENT

HK111101 Beijing RENMIN RIBAO in Chinese 10 Dec 85 p 4

[Article by staff reporter Chen Min "Treasuring This 'Quiet Desk' -- Interview With Song Li, member of the Central Advisory Commission and a leader of the December 9th Movement"]

[Text] Fifty years ago, when the December 9th Movement, which shocked the country and the whole world, broke out in Beiping, Song Li was just 23 years old. However, he had engaged in activities resisting Japanese aggression and saving the nation for 7 years or more. Song Li was the chief leader of the contingent of petitioners and demonstrators in the December 9th Movement. Faced with swords, cudgels, and fire engines, he led the charge, fearing no sacrifice and thus winning the support and trust of vast numbers of students. In his capacity as secretary to General Zhang Xueliang, Song Li dealt with Shao Wenkai, commander of the Beiping Military Police Headquarters, by issuing a wanted circular for him, thus cleverly rescuing 43 arrested students from Dongbei University. Later on, under the protection of General Zhang Xueliang, he carried out anti-Japan activities overtly and covertly in Xian. Very quickly Song Li became a legendary figure.

Recently, he attended a forum to mark the 50th anniversary of the December 9th Movement at the invitation of the Central Advisory Commission, where I interviewed him. Comrade Song Li recalled the past enthusiastically.

"In 1934, I resumed my interrupted studies at Dongbei University and was secretary of the school's underground party branch. On 9 December of the following year, the sky was covered with dark clouds and a piercing north wind was blowing. In the early morning, when the ancient city of Beiping was sound asleep, Dongbei University was seething with great enthusiasm. We held a rally, attended by all students, in the assembly hall and, on the spot, I was elected leader of the contingent of petitioners of our school. I made a brief mobilization report to my schoolmates. Ready to join the contingents of students from Qinghua and Yanjing Universities, we dashed out of the school gates in defiance of the soldiers and policemen who surrounded it to prevent us from leaving. However, it was reported that the students of the two universities were blocked by soldiers and policemen outside Xizhimen. Our contingent of students had to go to the streets on our own, with four people forming a row, hand in hand.

"All the way, our ranks were expanded by the participation of the students of Beiping University's College of Law and Commerce. We marched forward together and were blocked by 200-300 armed soldiers and policemen at Xisi Pailou (the decorated archway of Xisi). They beat the students with cudgels and the backs of their swords and several female students were hurt. Seeing some female students being arrested, Comrade Guang Shanfu took lime, which he had brought with him, out of his pocket and threw it in the faces of the soldiers and policemen in the action. Their eyes were blurred by the powder and they had to release the students. Smashing the blockade line, the contingents of students marched forward to Xinhuaamen. By that time, the students from the teacher's college, the No 1 Girls Middle School, Jinghu Middle School, and the Dongbei Zhongshan Middle School had also broken through the encirclement of soldiers and policemen and converged at Xinhuaamen with a total about 2,000 people.

"All schools chose their representatives to present a petition to He Yingqin, setting six demands including 'Stop the civil war, and resist Japanese aggression together.' He Yingqin avoided meeting the representatives. The students were angered by the failure of the petition. Together with the representatives of various schools, we made a prompt decision to turn the petition action into a demonstration.

"Starting from Xinhuaamen, we marched through Xidan, Xisi Pailou, Shatan, and Wangfujing Street to Tiananmen, and there held a mass rally. All the way our contingent of demonstrators grew larger with the participation of students from Zhongguo University, Hongda College, Beiping University's Medical College, Zhongfa Sino-French University, the No 2 Girls Middle School, Zhicheng Middle School, Chengcheng Middle School, Huiwen Middle School, Yiwen Middle School, and other schools, who broke through the encirclement of soldiers and policemen one after the other. The whole contingent of demonstrators gradually swelled to 5,000-6,000 people. I was chosen as the chief leader of the whole contingent of demonstrators because our ranks were the largest in number. Braving bitter cold and hunger, the students staged the demonstration, with high morale in a world of ice and snow, which lasted from early morning until the afternoon.

"December 16 was the day when the Government Administration Committee of Hebei and Chahar embarked upon a political venture. Patriotic students in Beiping staged a demonstration larger in size than the previous one held that day, with more than 10,000 people participating. Under pressure of the mass struggle, the KMT government had to postpone the establishment of the 'Hebei-Chahar Government Administration Committee.' Thus the struggle was crowned with an initial victory.

"After the 16 December demonstration, under the leadership of the party, students in Beiping promptly organized a 500-strong Beiping-Tianjin students team conducting propaganda in the south. The team members went deep into the rural areas in north China to stress the need to resist Japanese aggression. They aroused the masses and integrated themselves with the peasants, thus spreading the movement to resist Japanese aggression and save the nation, all over the country. On the basis of these activities, the vanguard of the Chinese nation for liberation was born. It rapidly developed into a national organization of progressive youths and became a link through which the party led progressive youths throughout the country. Later on, the movement to resist Japanese aggression and save the nation won the positive response of the people of the whole country and Chinese living abroad. This is the whole process of the December 9th Movement.

Comrade Song Li talked on for more than an hour. Then, I asked him to talk about how young students in the contemporary era should carry forward the glorious traditions of the December 9th Movement. He readily agreed, saying: The most important thing is the leadership of the party, which enables the student movement to have a firm and correct political orientation. The December 9th Movement was able to attain such tremendous successes precisely because it was conducted from beginning to end under the leadership of the party. The slogans raised in the December 9th Movement, such as "Stop civil war, resist Japanese aggression together," were specifically raised by the party in its "August 1st Declaration." Moreover, the underground party members at that time who publicized, with in the student movement, the significance of resisting Japanese aggression and who worked selflessly, were warmly supported by the masses. And the party enjoyed high prestige among the masses. After the December 9th Movement, the reactionary Beiping authorities sent soldiers and police into schools to round up the student movement leaders and students fought with the soldiers and police. Comrade Jiang Nanxiang, secretary of the underground party branch of Qinghua University at that time, was "retaken" by the students in such circumstances. Through underground party members, the party led this movement of historic significance. I remember that the most conspicuous issue was what direction the student movement would take after the 16 December demonstrations. Chiang Kai-shek wanted the students to go to Nanjing to "receive instructions" and some students favored conducting guerrilla warfare in Shandong.... The party organizations promptly guided the students in recalling that, after the December 9th Movement, the students who had gone to Nanjing to present petitions were either arrested, killed, or bought over, thus exposing the KMT government's political scheme to smash the student movement.

They also pointed out to the students that the workers and peasants, who accounted for 90 percent of the nation's population, were the main force in resisting Japanese aggression and that the strength of the students alone was weak. They called on the students to go among the workers and peasants and to integrate themselves with the main revolutionary force. Under the leadership of the party, "Beiping and Tianjin student teams conducting propaganda work in the south" were formed. Their activities provided correct political orientation for the student movement and enabled the December 9th Movement to grow and develop into a popular anti-Japanese and national salvation movement.

Comrade Song Li said: "In the past we said that without the Communist Party there would be no New China. Now we say that without the Communist Party there will not be the socialist modernization of China. The policies of reform and opening up laid down by the 3d Plenary Session of the 11th CPC Central Committee have increasingly proved to be the only way to the rejuvenation of the Chinese nation."

Comrade Song Li greatly admired the spirit of youths who are concerned with the future and destiny of the state and the nation. He said: "Herein lies the hope of our nation." Comrade Song Li repeatedly stressed the need to cherish the political situation characterized by stability and unity. He said, in the past 100 years, the Chinese people have suffered numerous disasters, with political movements, wars, and turmoils emerging one after another. Such a good and stable political and economic situation as at present is very hard to come by. For this reason, the young students should dearly cherish this "quiet desk." It has been paid for with the blood and sacrifices of our revolutionary martyrs, won by many revolutionaries of the older generation through hard struggle, and created by the vast numbers of workers and peasants through hard labor. In those years we wanted to keep our minds on reading and on learning science but could not. Now, we have extremely good conditions to enable the students to read and study. Naturally, keeping our minds on reading does not mean that we should bury ourselves in books without taking an interest in major national and international affairs. Many students have done very well. They conducted social investigations during the summer vacation in order to combine their theoretical knowledge with practical construction.

With ardent expectations for youth and sincere feeling, Comrade Song Li said: "We should steadfastly follow the Communist Party, cherish this 'quiet desk,' work hard to train ourselves, and resolve to make contributions to the takeoff of the Chinese nation. I am sure that the younger generation will surpass the older one."

GUANGMING RIBAO REVIEWS READJUSTMENT SINCE 1978

HK100741 Beijing GUANGMING RIBAO in Chinese 30 Nov 85 p 3

[Article by Yu Zuyao: "Looking Back on Readjustment and Deliberating on It"]

[Text] China's national economy was readjusted in an overall way after the 3d Plenary Session of the 11th CPC Central Committee. In comparison with the readjustment in the 1960's, this readjustment had its own characteristics and strong points which merit attention. Understanding this is very important to making a correct appraisal of the present situation and realizing the great tasks set by the National Conference of Party Delegates.

The readjustment after the 3d Plenary Session of the 11th CPC Central Committee had its marked characteristics and strong points.

1. There was improvement to varying degrees in the livelihood of the urban and rural people. During the 3-year "Great Leap Forward," which started in 1958, the productive forces were seriously undermined, thus causing a general drop in the living standard of the people during the readjustment at that time. In terms of the per capita consumption of consumer goods, grain was 408 jin in 1956, 317 jin in 1961, and 329 jin in 1963; vegetable oil was 5.13 jin in 1956, 2.75 jin in 1961, 2.17 jin in 1962, and 2.25 jin in 1963; and pork was 10.15 jin in 1957, 2.82 jin in 1961, and 4.43 jin in 1962. During the readjustment after the 3d Plenary Session of the 11th CPC Central Committee, the per capita consumption of consumer goods markedly increased. The per capita consumption of grain increased from 190 jin in 1978 to 450 jin in 1982, vegetable oil from 3.19 jin to 7.07 jin, and pork from 15.34 jin to 23.51 jin. The problem of food and clothing for the people was basically solved.

2. A trend of sustained and steady growth emerged in industrial and agricultural output production. Suppose the gross industrial and agricultural output value in 1960 were 100, it was 68.9 in 1961, 61.9 in 1962, and 67.8 in 1963. Only by 1968 did it rise to the level in 1960. During the readjustment after the 3d Plenary Session of the 11th CPC Central Committee, suppose the gross industrial and agricultural output value in 1978 were 100, it was 108.4 in 1979, 116.6 in 1980, 122 in 1981, and 132.6 in 1982.

3. A situation of prosperity and stability arose in the field of circulation. During the readjustment in the 1960's, the retail sales volume of social commodities dropped by the year (calculated according to fixed prices). In comparison with that in 1960, the retail sales volume of social commodities in towns dropped by 5.2 percent in 1961, 14 percent in 1962, and 11.7 percent in 1963; the retail sales volume of social commodities in the countryside dropped by 21.5 percent in 1961, 12.7 percent in 1962, and 8.4 percent in 1963. During the readjustment after the 3d Plenary Session of the 11th CPC Central Committee, the situation in the market turned for the better every day and there was relaxation in the imbalance between the supply and demand of the basic means of livelihood. In 1979, the total retail sales volume of social commodities (calculated according to fixed prices) increased by 7.4 percent over the previous year. It increased by 18.8 percent in 1980, 9.8 percent in 1981, and 9.3 percent in 1982.

4. Import and export trade witnessed a sustained increase. During the readjustment in the 1960's, suppose the total import and export volume in 1959 was 100, it was 60.2 in 1961 and 54.1 in 1962. During the readjustment from the late 1960's to the early 1980's, suppose the total import and export trade volume in 1978 were 100, it was 128 in 1979, 158.7 in 1980, 202 in 1981, and 213 in 1982.

By comparing the two readjustments, we know that a good situation of prosperity and improvement in life emerged during the readjustment after the 3d Plenary Session of the 11th CPC Central Committee. The economic situation in the 1960's turned for the better only after economic readjustment. A review of economic development of various countries in the world, including socialist and capitalist countries enables us to understand that a country's national economy undergoes recovery and readjustment each time after a large-scale crisis or destruction.

During this period, it is almost a general case that factories operate below capacity, unemployment increases, capital construction is suspended, investment drops drastically, life becomes worse, and business slumps. However, the readjustment carried out after the 3d Plenary Session of the 11th CPC Central Committee enabled us to break away from this convention and to create a miracle of development in the course of readjustment. What were the reasons?

First, in terms of the guiding principles for economic work, it was made clear that the party's work focus was beginning to shift to socialist modernization. This helped overcome the interference and destruction caused to readjustment by the political turmoil at that time. When initial results were achieved during the readjustment in the early 1960's, the slogan "Take class struggle as the key link" was put forward and a nationwide repudiation campaign was launched against the practice of "more plots for private use, more free markets, more enterprises with sole responsibility for their own profits or losses, and fixing output targets on a household basis." This gave rise to the recurrence of the "leftist" ideas disseminated by the "Great Leap Forward" and the campaign against the "right deviationist" tendency. Soon after this, the "four clean-ups" movement followed. As the economic readjustment ran counter to the political movement, it was forced to stop. The results of the readjustment were disrupted and the national economy fell into a vicious cycle. Now we know that economic readjustment requires a correct political and ideological line and an environment of stability and unity. This was one of the important reasons why major achievements were made in the readjustment in the late 1970's.

Second, the root cause of the vicious cycle of the national economy was removed by emphasizing readjustment and promoting readjustment through reforms. The two readjustments were carried out because of serious mistakes in the macroeconomic policy. Under a highly centralized system, mistakes in the macroeconomic policy could not be corrected through the automatic regulation by economic mechanism. It was not until various contradictions in economic life became acute that overall readjustment was carried out to restore the balance that had been undermined. Therefore, if economic structural reform had not been carried out along with the readjustment of the national economy and the industrial structure, it would have been impossible to consolidate the results of the readjustment and to free economic development from the vicious cycle. This is an important lesson that should have been drawn long ago from the readjustment in the 1960's.

The 3d Plenary Session of the 11th CPC Central Committee set the tasks for economic structural reform and made it clear that it was necessary to carry out reforms in the course of readjustment, to use reforms to promote readjustment, and to enable readjustment to provide favorable conditions for reforms. Just imagine, if the rural people's commune system had not been reformed and the output-related responsibility system carried out throughout the rural areas, how would it have been possible to free rural production from long-standing stagnation? How would it have been possible to maintain a steady increase in production? How would it have been possible to maintain marked improvement in the peasants' livelihood? If we had not reformed the mode of being "large in size and collective in nature" in terms of the ownership system, how would it have been possible to provide jobs for tens of millions of people in a few years? How would it have been possible to open up all avenues for production, to dredge the channels of circulation, and to make the urban market prosperous? If we had stubbornly stuck to traditions and prejudices and belittled the regulating role of market mechanism, how would it have been possible to prevent the shrinkage in industrial production, and in heavy industrial production in particular? By comparing the two readjustments, we know that reforms have produced different results.

Third, economic readjustment must be carried out on the basis of the changes in the mode of economic development strategy. The key to readjustment is to bring about a change in the economic development strategy. The key to readjustment is to bring about a change in the economic development mode. Otherwise, any readjustment measure can produce only temporary results, and the national economy will be plunged into confusion again if the old economic development mode emerges.

This was an important reason why the readjustment in the 1960's was suspended and the achievements in the readjustment were spoiled. After the 3d Plenary Session of the 11th CPC Central Committee, we summed up the experiences and lessons in China's economic development and made it clear that the purpose of developing the socialist economy is to meet the needs of the people. Soon afterward, we established the principle of shifting enlarged reproduction by extension to enlarged reproduction by intension and the policy of opening up to the outside world. Subsequently, attention was beginning to be paid to economic results. Finally, we worked out a new method for China's construction, which has brought much benefit to the people and produced good economic results with a realistic growth rate. Thus, in terms of guiding principles, we shifted from the traditional development mode to a new development mode. Without this change, development in the readjustment period would have been impossible. In the readjustment period, heavy industrial departments, which had been operating below capacity, were still able to maintain a certain growth rate in heavy industrial production and to provide accumulation for the state as a result of catering to the people's livelihood, light industry, agriculture, and exports. In the readjustment period, we gave priority to light industry and organized production in line with market needs. In this way, we prevented business slumps in the market, greatly relaxed and partly solved the shortage of consumer goods, and ensured the improvement of the people's livelihood.

Fourth, the readjustment of the ratio between different national economic branches was combined with the establishment of the production structure suited to the development of the commodity economy. The production structure has been formed in the course of the development of various national economic branches. The mode of the production structure is determined by the economic development strategy and the economic structure. A rational production structure is an important factor determining the proportionate, sustained, and stable development of the national economy. In the late 1950's, a production structure with natural economic characteristics was formed as a result of demanding perfection in the ownership system and implementing the principles of "taking grain as the key link" and "taking steel as the key link." Although the ratio between agriculture, light industry, and heavy industry was readjusted in the early 1960's, this abnormal production structure was further strengthened with the implementation of a traditional development strategy. This abnormal production structure plus a rigid system and a traditional development strategy became an important obstacle to the development of China's productive forces. After the 3d Plenary Session of the 11th CPC Central Committee, while readjusting the national economy, we paid attention to establishing a stable and socialized production structure, to build basic facilities, to speeding up the development of energy and communications, to strengthening commerce and service trade, and to filling the gaps in the information field. Without the rationalization of the production structure, development in the readjustment period would have been impossible.

Obviously, great achievements, which were impossible in the readjustment in the early 1960's, were made in the readjustment in the late 1970's, because the CPC Central Committee had summed up historical experiences and lessons and straightened out the national economy in terms of system, strategy, and structure. Practice has proved that what has been done over the past 7 years is correct.

The present economic situation in China is very good. But we should explicitly understand that the task of realizing a fundamental turn for the better in the financial and economic situation has not been completely fulfilled, that economic relationships have not been thoroughly straightened out, and that the excessively high rate of economic development resulting from the contention for a higher growth rate since the beginning of the fourth quarter has not been completely stopped. Now China is in the period when its old economic structure and its old economic development strategy are shifting to new ones.

Realizing such a shift requires a relaxed economic environment. An excessively high rate of development is detrimental to realizing such a shift. In the final analysis, the causes of the excessively high rate of development are the old economic structure and the old economic development strategy, which are still displaying their role. Therefore, to further straighten out economic relationships and control the economic growth rate, we must hold firm to reforms and must never take the road back.

RENMIN RIBAO DISCUSSES REFORM OF FINANCE SYSTEM

HK100751 Beijing RENMIN RIBAO in Chinese 2 Dec 85 p 5

[Article by Xu Meizheng: "Strengthen the Macroeconomic Control and Regulation of Banks"]

[Text] The Status and Role of Banks in the Macroeconomic Control System

At the same time as enlivening enterprises, it is necessary to strengthen and perfect the system of control in the macroeconomic sphere. This necessitates the introduction of a series of reforms in all aspects of the system; and one of the most important of these reforms is that of the finance system.

In the old system of macroeconomic control, the organ of control carried out its work solely on the basis of mandatory plans and administrative measures; plan management centered mainly on the situation of materials, while funds were simply a tool for calculation. Banks, then, were simply organs with the function of receiving and paying out money. In the new economic system, however, the function and role of banks will greatly expand, turning them into an important component of the system of macroeconomic control.

Under conditions of a planned commodity economy, economic regulation in the macrosphere must be exercised through the market and through the regulation of currency and funds, while the bank represents the main axis for the movement of currency and funds. Through its regulation, it must both ensure the normal functioning of the economy, and promote the growth of the national economy, and, at the same time, control excessive money supply, and stabilize the currency value and the economy. People often say that the most important task of macroeconomic control is to regulate and maintain the balance between social demand and supply. Total social demand comes from expenditure on the part of government, enterprises, and individuals. If this expenditure is not supported by bank credit, it cannot possibly exceed total income. Therefore, the control of credit and currency is an important link in controlling total social demand, while total social supply growth cannot occur without the support of credit. Therefore, the regulation and control of credit and currency is the key to macroeconomic control, and banks then become the most important aspect of macroeconomic regulation and control.

With the development of the reform of the economic system, the role of banks in collecting and distributing funds is also developing daily. Over the past few years, bank reserves have increased by several billion yuan a year, exceeding annual financial income growth, and bank loans have also seen a considerable increase. At present, banks are not only responsible for all loans of liquid capital, but have entered the sphere of investment in fixed assets, issuing mid- and short-term equipment loans. Henceforth, with the development of the economic system reform, the banks' role in collecting and distributing funds will take a further step forward, and their position in the macroeconomic control system will progress commensurately.

The Reform of Banks as Mechanisms of Control

In the old economic system, in line with the system of plans, the finance system was characterized by a monolithic bank in which management and control was carried out through a monopoly on deposits and loans. This system could not meet the needs of the developing planned commodity economy. Over the past few years, a whole series of reforms have been implemented in the finance system. For example, in the sphere of finance organization, the monolithic banking system has begun to be broken down, and a new finance system established, which is characterized by the central bank as the center and specialized banks as the bases, and which includes other financial institutions. In the control of credit and funds, management methods have been introduced that consist of "an overall plan, management on different levels, deposits linked to credits, and the margin between them controlled" and "overall plans, categorization of funds, realistic issue of loans and maintenance of deposits, and the maintenance of coordination between them." In finance business, there has been a certain amount of development in direct financing through collection of funds, shares, and debentures and so on. These reforms have enlivened finance, and have started the transition in organs of control from direct to indirect control.

However, the changing of organs of control is a complex and arduous task. The establishment of the central bank was an important step in establishing a system of indirect control, but this step could not possibly effect an immediate transition to such a system of indirect control. When it was set up, the central bank did not differentiate between its funds and those of the specialized banks, added to which accounting was carried out over the banks as a whole, which meant in turn that the management of funds still consisted of a "big pot." The central bank's preparatory fund system has also not yet been perfected; for example, figures for establishing the preparation rate are not scientific, the interest rate on preparatory funds is the same as the interest rate on loans, and so on, which means that there is no way of exploiting the regulatory function of preparatory funds, and even more importantly no serious consideration has been given to the role of derivation of deposits. Therefore, though the central bank has been set up, no genuine system of indirect control has been established. Meanwhile, "the pegging of deposits to loans, and control of the margin between them" has been broken through the direct control of quota management, forming a vacuum in macroeconomic control. Last year's loss of control over the scale of loans, and excessive money supply had a lot to do with the aforementioned vacuum.

In order to strengthen macroeconomic control, and improve management of credits and funds, this year the new management methods of "overall plans, categorization of funds, realistic issue of loans and maintenance of deposits, and keeping loans and deposits in line with each other" have been introduced. Divisions have been drawn between the funds of the central and specialized banks, and the system of overall accounting for all banks reformed, solving the "big pot" problem of fund management. Meanwhile, realistic issuing of loans and maintenance of deposits has enabled the central bank to control specialized bank loans. At the same time, there has been some improvement in the deposit preparatory fund system, with some margin introduced between central bank deposit and loan interest rates. These reforms have enabled the central bank, through reserve funds on deposits and reloans [zai dai kuan 0375 6313 2949] to exercise control over the scale of credits given by specialized banks, and therefore the central bank has begun to establish a system of indirect control through the use of its own funds. This year, the central bank has already begun to play an important role in controlling the scale of loans through the use of reloans.

In order to control the scale of credits, this year, at the same time as controlling reloans, the central bank has already brought the figures limiting specialized bank loans under control, and restored management over credit quotas. Therefore, this year management over credit funds is being exercised in both a direct and an indirect manner.

Because the scale of credits was excessive in the previous period, and indirect control methods had not yet been perfected, under these conditions it was necessary to restore quota management. But the economic system reform has brought changes in channels for sources of funds and in the social structure of funds, and under conditions of dispersed utilization rights over funds, it is inappropriate to rely solely on quota control and administrative measures. For example, this year, in order to avoid the credit quota system, fundraising activities have increased, and there has been some growth in commercial credit. Due to the growth in direct financing, even if the scale of bank credit is brought under control according to plans, it is still impossible effectively to control total social demand; moreover fundraising takes away a portion of bank deposits, and if this affects loans of liquid capital needed for normal production, it might pressure the banks into increasing the scale of their loans. Therefore, it is necessary to continue with the reforms, strengthen indirect control measures, and perfect the system of indirect control.

Strengthen and Perfect the System of Macroeconomic Control

The reform of the finance system has a great effect on the national economy, and, consequently, the continued reform must be both active and stable, and must consist of gradually perfecting the system of indirect control while reducing direct control. During the first 2 years of the "Seventh 5-Year Plan" it is necessary to grasp properly the following aspects of work:

We must further strengthen the position and independence of the Central Bank. Externally, it is necessary to change the worn out concept that a bank is an organ for provision of funds, and to give the central bank the right to independent regulation and control of funds, with no other department having the right to interfere with this. Within the banks, it is necessary to further clarify the relationship of the central bank and its branches as leaders of specialized banks of the same levels, and to consider the idea of giving the central bank the necessary administrative powers, strengthening the central bank's unified leadership and centralized control over financial work and financial organs. From the point of view of the central bank itself, it is necessary to change its passive state of simply providing funds, and instead to take an overall view of the situation, come to an intimate grasp of the economic situation, take the initiative to regulate and control currency, and ensure the normal movement of the economy and the stability of the currency.

We must perfect the control system of the central bank. This requires first, actively researching technical questions concerning such things as the currency multiplier, the money supply, and so on. Second, the deposit preparatory fund system should be perfected. On the basis of the nature and period of loans and the deposits of various different financial organs, different preparatory rates should be drawn up, and these rates should be adjusted according to the state of the money market. Once bank incomes have been readjusted, consideration should be given to the idea of eliminating payment of interest on preparatory funds. Third, the system of reloans should be improved. Interest rates on such loans by the central bank should be raised, promoting the organization of deposits in specialized banks. The central bank may give differential reloans and discounts to specialized banks based on loan certificates, thereby regulating the structure of funds; while interest rates on reloans outside the state plans may be floated. In the short term, the central bank will not yet be able to eliminate quota control over loans made by specialized banks, but in the process of the constant perfection of the central bank's indirect control, direct control may be gradually weakened, for example by carrying out flexible quota management, permitting specialized banks to give more loans if they have more deposits, within certain set limits, and so on, and later on making a further gradual transition to exercising indirect control over the scale of credits through the use of the central bank's own funds, at the same time using the same method to supplement its control over loan limitations.

The perfection of the system of indirect control needs to be combined with enlivening finances and gradually opening up the fund market. Enlivening finance necessitates the readjustment and reform of the interest rate system, the turning of specialized banks into enterprises, and the proper regulation of the relationship between direct and indirect funding. It also necessitates the further reform of the finance organization system, and so on. These reforms must be carried out in a planned, gradual, and coordinated fashion.

One outstanding situation at present is the development of fundraising activities. With regard to this sort of direct financing activity it is necessary to actively guide it and strengthen management.

In light of China's conditions, indirect financing should play the dominant role, but direct financing may also be developed in an organized and appropriate manner. Rules must be drawn up concerning the scope, source of funds, dividends, and bonuses involved in direct financing activities, and unified control should be exercised by the People's Bank. Financial activities should maintain the overall balance between total social funds and the scale of investment in fixed assets, and efforts should be made to curb such practices as administrative apportioning of expenses, the enlargement of expense fund spending, and so on.

At the same time it is necessary to actively develop indirect financing raising interest rates on deposits made by enterprises and thereby encouraging them to accumulate funds, increasing the number of savings banks, developing post office savings banks, and making efforts to tap the potential of social funds.

Another current problem is that vertical quota management affects the horizontal circulation and flexible regulation of funds. In order to solve this problem, we should strengthen and give more play to the central bank's role at all levels in regulating funds, opening up the lending market, permitting the flotation of lending funds, and so on; through the lending market, the central bank can regulate the supply and demand of funds.

The "enterprization" of specialized banks is the basis for the sensitive reaction of the microsphere to the indirect regulation and control of the macrosphere, but the issue of making financial organs into enterprises is a complex one and should be dealt with carefully. The first step may be taken by establishing a business management responsibility system, drawing up the relevant systems, and implementing them strictly.

Another important aspect of perfecting the system of macroeconomic control is the strengthening of the financial laws and the administrative management of finances. If we have only economic regulation without laws and the necessary administrative controls, it will still be difficult to carry out macroeconomic control effectively and promptly. The task of drawing up laws for the central bank, specialized banks, trust and receipt laws, should be grasped tightly, and the work of checking and auditing finances should be established and perfected.

The reform of the finance system also faced the problem of cadres, not only because the development of financial institutes leaves them with insufficient numbers of cadres to cope with the work, but even more importantly because there have been profound changes in financial business. Without a large number of cadres who have good theoretical training, are able to observe and analyze the economic situation, and are good at handling financial business under conditions of a planned commodity economy, even if we have a good reform policy, it will be difficult to effect the reform of the finance system. For this reason, it is necessary to grasp the work of training cadres as an extremely important task.

COMMENTATOR VIEWS IMPROVING STATE-RUN ENTERPRISES

HK100947 Beijing JINGJI RIBAO in Chinese 6 Dec 85 p 2

[Commentator's article: "Further Improve the Operation of Large and Medium-sized State-Run Commercial Enterprises"]

[Text] Over the years, we have scored successes in the preliminary reform of China's large and medium-sized commercial enterprises. Generally speaking, however, we have not fully tapped the potential of these enterprises. Therefore, for the sake of conducting an in-depth commercial reform, it is very important for us to further enliven the large and medium-sized state-run retail enterprises.

A prerequisite for enlivening enterprises is to switch the concept of operation. Grass-roots commercial enterprises should first free themselves from the outmoded concept of work style and operation. Instead, they should face the market and compete with each other so that enterprises will change their role of supplying goods, to that of developing business. Under the present circumstances in which the market opens up, large and medium-sized commercial enterprises should diversify their operation on the basis of having a solid foundation in their trades. Large enterprises that possess the conditions may develop in the direction of "diversification," and become commercial service centers that are shopping centers, offer catering services, and house cultural and recreational facilities. At the same time, they must actively develop extensive economic links based on the cities. Large and medium-sized enterprises must gain a local foothold, face the whole country, develop operations in other localities and practise various forms of joint venture. Large and medium-sized enterprises have advantages in facilities and personnel, which can help them expand their operation and offer services to small enterprises.

An important point in strengthening the vitality of enterprises and doing well in the internal reform is to perfect the system of contracted responsibilities within enterprises. In connection with the features of commercial enterprises, the system of contracted responsibilities within enterprises should be in varied forms. The methods of assessing results should also be in great variety and marked by various indexes. While assessing economic results, we must pay attention to the effects of their social services. At present, when implementing and perfecting various kinds of systems of contracted responsibilities within enterprises, we should attach great importance to, and strive to realize, the integration of the enterprises' goals of strategic development. Also, we must resolutely correct and guard against the unhealthy phenomena of giving away and consuming everything and overstocking commodities because of purchasing blindly. The enterprises should implement the system of contracted responsibilities among the staff at various levels in charge of the operation, including managers, directors of commodity departments and leaders of operation teams. The enterprises should also pay attention to the formulation of criteria for assessing enterprises' long-term development. Not only should they assess various economic indexes but also their stock structure, depreciation of fixed assets, accumulation of funds and the environment for developing their operation, so that they will develop in a steady way.

Moreover, in order to enliven large and medium-sized commercial enterprises, we must carry out a series of reforms within the enterprises in connection with the work. We must implement the system that managers shoulder responsibilities, and adopt the democratic management system. On the principle of integrating the centralized leadership with levels of management, we should rationally divide the enterprises into small accounting units and manage them through the ranks and division of decision-making power.

Furthermore, we should reform the labor and personnel system of the enterprises. In accordance with different situations and specific conditions, we should promote people to the leading posts who have both ability and political integrity. This can be achieved in a variety of ways, including assessment of tasks, democratic election, recommendation by oneself or others, recruitment and so on. We must strengthen the innovation and transformation of enterprises, and actively promote the management modernization of commercial enterprises.

COMMENTATOR ON REFORM OF RURAL MANAGEMENT SERVICES

HK111012 Beijing RENMIN RIBAO in Chinese 9 Dec 85 p 2

[Commentator's article: "Do a Good Job of Socializing Rural Operations and Management Services"]

[Text] The restructuring of the urban economy has turned the hundreds of millions of peasants into producers geared to market needs. Under the previous system of "three-level ownership by the commune, the production brigade, and the production team, with the production team as the basic accounting unit", ordinary peasants seldom or never faced the issues of operations and management. Now that each peasant has become a relatively independent commodity producer, many of them need guidance and help in operations and management. This is a matter that has cropped up in the transformation of rural production into a commodity economy.

The operations and management service networks that have been gradually set up in Sichuan and many other localities have quite satisfactorily met the peasants' needs in this respect. These operations and management service centers provide household-run units, economic combinations, and town and township enterprises with information on production and sales and help them do a good job of planning, financial management, economic accounting, and decision-making in operations. This will not only help the peasants get a good grasp on operations, but will also stimulate the planned development of the commodity economy and the improvement of the cooperation system. The state and the collective give planned guidance to producers and dealers through this channel. We should encourage and popularize the socialization of rural operations and management services.

Some people hold that operations and management have become useless following the decentralized operation by peasant households. This is an erroneous view. Being different from the small peasant economy, the commodity economy cannot develop without scientific operations and management. The scope of production and business units has been reduced, but each of them should gear to the market needs and take certain risks. Only by keeping abreast of market information, studying market needs, unclogging the supply and marketing channels, paying attention to methods of operation, and practicing economic accounting is it possible to lessen risks, to reduce blindness in commodity production as far as possible, and to attain the best economic results. For this reason, in developing the commodity economy, rural operations and management work is much more complicated than that in the period of "everybody eating from the same big pot" and the responsibility of the leaders is also much heavier.

Operations and management service constitutes an important aspect of the socialized rural service structure. In coordination with other services, such as seeds, soil fertilization, plant protection, and farm machinery, it provides the peasants with a series of services from production to operations and will speed up the commercialization, modernization, and socialization of rural production. The operations service bodies should be service-oriented and regard the offering of operations guidance and consultation as their principal task. They may collect some charges for their services in order to expand their business operations. However, they should not make too much money from the masses but should, preferably, make a small profit.

The reform of operations and management involves a wide range of issues. For this reason, we should adopt a vigorous but prudent policy. On the one hand, we should take advantage of this opportunity to organize operations and management service networks; on the other hand, we should avoid acting thoughtlessly and rashly and practicing formalism. We should respect the will of the masses and not force the peasant households to accept our service. We should do a good job of training bookkeepers and accountants and enhance their professional competence. As long as we keep in mind that our purpose is to serve the people, this work will certainly be carried out better and will be well received by the peasants.

BO YIBO DISCUSSES RECTIFYING PARTY STYLE

HK070701 Beijing HONGQI in Chinese No 22, 16 Nov 85 pp 3-7

[Article by Bo Yibo: "Thoroughly Understand and Implement the Guidelines of the National Conference of Party Delegates and Effectively Rectify Party Style" -- capitalized passages published in boldface]

I

[Text]

The recent National Conference of Party Delegates has underscored certain highly important general guidelines on how to build a strong party, improve party leadership, and improve the party's fighting capability so as to provide a powerful political guarantee for the smooth development of the four modernizations and the restructuring of the economic system. Whether or not these important guidelines can be thoroughly understood and grasped is of vital importance for all comrades in our party in our struggle for greater unity in thinking and actions to achieve the great plans. Here, I'd like to express my own views on this question.

THE CONFERENCE UNDERScoreD THE IMPORTANCE OF THE SUCCESSION OF MIDDLE-AGED AND YOUNG CADRES AND THE IMPORTANCE OF EMULATING THE OLD COMRADES' HEROIC SPIRIT OF ADHERING TO THE COURSE OF REVOLUTIONARY STRUGGLE IN SUCCEEDING FROM THE OLD.

This guiding thought was set forth by Comrade Deng Xiaoping in his speech at the conference. He said: As for cadres, "younger age and professional knowledge alone are not enough. To this must be added fine work style. I hope you will serve the people wholeheartedly, go among the masses, and listen to their opinions; dare to speak the truth and oppose falsehood, refrain from seeking undeserved fame, and perform more actual deeds; make a clear distinction between public and private interests and refrain from seeking personal favor at the expense of principle; and appoint people on their merits rather than by favoritism."

With these weighty remarks having profound implications, Comrade Deng Xiaoping has expressed what he expects not just from middle-aged and young cadres, but from all of us, including veteran comrades. In short, as far as succession is concerned, it is of utmost importance that middle-aged and young cadres take over and carry forward the revolutionary spirit of the veteran cadres and comrades and the fine traditions and work style formed and developed by the party in the course of the more than 50 years of revolutionary work. The succession issue should not be considered simply as a succession of new personnel from the old, or a handing over of authority. This is an important guiding thought that we must always adhere to in selecting and appointing middle-aged and young cadres and in making the leading groups younger in average age. This time, in selecting the new CPC Central Committee members and making the CPC Central Committee younger in average age, we have done a good job of carrying out and embodying this guiding thought.

Is it true that in party rectification we must further rectify the leading groups at various levels in light of party ideology, style, discipline, and organization? While looking for young cadres, we must pay attention not only to their age and knowledge, but, above all, to their thinking, work style, and state of mind. These must be examined earnestly and repeatedly. We must guard against the tendency to pay attention only to age and knowledge, otherwise we will abandon what is most important and fundamental and violate the principle of having both morality and knowledge. If that is done the question of reshuffling the leading groups will not be correctly settled. If that happens, the following will most probably emerge: After the reorganization, the leading groups will become younger and more knowledgeable, but the ideology and style of the leaders will not necessarily become correct and fine. If such a situation appears in a department or a unit, it means that the reorganization of the leading group in that department or unit had failed and the way in which the reorganization was carried out was not correct. Party committees at various levels must fully understand this question.

THE CONFERENCE UNDERScoreD THE NEED TO ALWAYS UPHOLD THE FOUR CARDINAL PRINCIPLES IN THE COURSE OF REFORM AND THE FOUR MODERNIZATIONS.

The four cardinal principles are the groundwork of our nation, the guiding principles for our construction, and the political foundation on which people of all nationalities in our country fight in unity. Is this right? I think it is right to say so, and we should understand the four cardinal principles in this way. In the past, when the "leftist" wrong ideology prevailed in our country, the four cardinal principles were seriously distorted. After the 3d Plenary Session of the 11th CPC Central Committee, we began to bring order out of chaos and correct the "leftist" mistakes in order to carry out radical reforms, restore the four cardinal principles, adhere to them and the Marxist general and specific policies formulated under the guidance of the four principles, and successfully push forward with our country's socialist construction. We remember that soon after the 3d Plenary Session of the 11th CPC Central Committee, Comrade Deng Xiaoping insisted that all comrades of our party adhere to the four cardinal principles at the theoretical work meeting. Since then, he has repeatedly stressed this point.

At this National Conference of Party Delegates, Comrade Deng Xiaoping pointed out: "The purpose of the succession of middle-aged and young cadres is to organizationally guarantee the continuity of our party's policies. What is the continuity of our party's policies? It means that we will not change our foreign and domestic policies, such as the policy of maintaining independence and keeping the initiative in our own hands, the policy of having a democratic and legal system, the policy of opening up to the world, the policy of invigorating the domestic economy, and so on. The four cardinal principles form the basis of all these policies, so we will not change them or hesitate to implement them. If our policies are constantly changing, our society will become a mess. There will be no stability and unity in our country. Economic construction and reform and the development of China will become empty words." These remarks are sincere. With these remarks, Comrade Deng Xiaoping once again warned all the comrades of our party, especially leading comrades at various levels. We should firmly grasp these remarks, not consider them "old remarks," and not turn a deaf ear to them. Repetition of "old remarks" serves a purpose, for this is a fundamental question concerning the overall situation in our party and country and the future development of our socialist cause.

During the 7 years between the 3d Plenary Session of the 11th CPC Central Committee and the 5th Plenary Session of the 12th CPC Central Committee, our party and state underwent significant readjustments in internal and external policies and formulated and adopted a series of important policies that reflect educational, scientific, and cultural spheres.

It is the implementation of these policies that has guaranteed the smooth development of our building of the four modernizations, enabled the situation in our country to become better and better, and made the present period one of the best and most important periods in our country since the founding of the PRC. All of these important policies, which are based on the four cardinal policies, are specific applications and expressions of these principles in various quarters. Without the guidance of these principles, our policies would not have been possible. Likewise, without the guidance of these principles, policies could not possibly have been implemented correctly. In other words, they would have deviated in the course of implementation. In short, without adhering to the four cardinal principles, it would be impossible to maintain continuity of all Marxist policies, which are based on these principles. At all times and under all circumstances throughout the historical stage of socialism, we must firmly and unequivocally uphold the four cardinal principles until communism has been achieved. Naturally, these cardinal principles must be closely integrated with the practice and activities of the revolution and construction in progress. They must be applied and developed in the course of implementation. Without development, there can be no adherence.

It must be stressed that a great majority of our party members and cadres uphold the four cardinal principles, have strong faith in these principles, and have never wavered under both good and difficult circumstances. However, it must also be acknowledged that under the new historical circumstances, there are indeed some party members and cadres who no longer have firm convictions about the cardinal principles. Some have wavered, while a very few have even openly opposed the cardinal principles. For example, some party members and cadres admire and worship the Western "democracy," "freedom," and life style. They consciously or unconsciously publicize the bourgeois liberal ideology. Thus, we must persist in carrying out education on the four cardinal principles and the fundamental theories of Marxism among the people, beginning with party members and cadres. Only by so doing can we correct muddled ideas, overcome erroneous thinking, and ensure that our party members, cadres, and people will advance along the right course.

THE CONFERENCE UNDERScoreD THE IMPORTANCE OF BUILDING A SOCIALIST SPIRITUAL CIVILIZATION AND OF STRENGTHENING IDEOLOGICAL AND POLITICAL WORK UNDER THE NEW HISTORICAL CIRCUMSTANCES.

Before this National Conference of Party Delegates was held, in his speech delivered at the Central Party School, Comrade Hu Yaobang said: "It won't do if we only talk about professional work and do not talk about political and ideological work!" "And the central task or the core of our political and ideological work is to mobilize the entire party and the broad masses of the workers, peasants, and intellectuals to work hard and contribute to the prosperity of our country and the well-being of our people." Based on the proposal for the Seventh 5-Year Plan and the speeches of the five Standing Committee members of the Political Bureau, the conference underlined the need to vigorously strengthen the building of a socialist spiritual civilization and the need to reinforce ideological-political work. It pointed to the direction, tasks, guidelines, and methods for dealing with this issue.

How does our party exercise leadership? The answer is: It exercises leadership by means of formulating and implementing the party line, principles, and policies, vigorously carrying our ideological and political work, undertaking energetic propaganda and organizational work, and fulfilling an exemplary vanguard role for all party members, party cadres, and the masses. In order to exercise and strengthen the party's leadership over state affairs and society, none of these basic measures and channels can be dispensed with.

Relaxing and weakening ideological and political work means relaxing and weakening a very important aspect of the party's leadership. This would seriously hamper the party's exercise of overall leadership. From this perspective, we must understand the vital importance of strengthening ideological and political work and consider its important role in the party's overall work.

Since the 3d Plenary Session of the 11th CPC Central Committee, we have begun to eliminate the "leftist" influence prevalent in ideological and political work and among the people engaged in this work in the course of setting things right. This is entirely necessary. However, we must not think that because we must correct the "leftist" influence in ideological-political work, we can afford to dispense with ideological-political work or go to the extreme of despising and even negating it. In eliminating the "leftist" influence, we seek to correctly uphold and develop ideological-political work, improve its contents and methods, and enhance its power. There is no intent to relax, weaken, or abandon the work. Any thought of despising and weakening ideological-political work is wrong.

While vigorously building socialist material civilization, we must greatly strengthen the building of socialist spiritual civilization. The two civilizations must be grasped simultaneously. That is a very important guiding principle put forward at the 12th CPC National Congress. Speaking at the National Conference of Party Delegates, Comrade Deng Xiaoping said: "The question of building a socialist spiritual civilization was raised long ago. The central and regional authorities and the Army have done a lot of work. In particular, a large number of advanced persons have emerged from among the masses, and this has had a very good influence. However, considering the country as a whole, we must admit that, so far, the results of our work have not been very satisfactory, namely because it has not had the serious attention of the entire party membership. We exert ourselves for socialism not only because socialism provides conditions for faster development of the forces of production than capitalism, but because only socialism can eliminate the greediness, corruption, and injustice that are inherent in capitalism and other exploiting systems. Production has gone up in recent years. But the pernicious influence of capitalism and feudalism has not been reduced to a minimum. Instead, some evil trends that had been extinct since liberation have come to life. If we fail again to make a quick, decisive change in this situation, how can the superiority of socialism be brought into full play? How can we fully, effectively educate our people, especially the younger generations? Our work to build a material civilization will be adversely affected and will travel a tortuous path if we do not promote the building of a spiritual civilization. We can never succeed in revolution and construction if we rely on material conditions alone. In the past, however small or weak our party was and whatever difficulties it faced, we always maintained a great fighting capability because of our faith in Marxism and communism. With common ideals, we have strict discipline. Now, as in the past and in the future, this is our strength."

These remarks expound on a number of questions, principles, and axioms. First, the remarks provide a basic evaluation of the work of building spiritual civilization over the past years. Second, they clearly point out that the development of a socialist spiritual civilization is an inevitable requirement inherent in the socialist system itself. Without the building of a spiritual civilization, it will be impossible to bring the superiority of socialism into full play. Third, they explain the relationship between the building of the two civilizations, underlining the fact that unless the building of spiritual civilization is strengthened, the work of building material civilization cannot proceed smoothly and will deviate from the correct orientation. Finally, they state clearly that the spiritual condition of faith in the ideals of Marxism and communism is the real strength of our party in surmounting all difficulties and winning victories in revolution and construction.

This is a truth verified throughout the party's entire history. At no time should we forget this truth. Otherwise, we will have the erroneous tendency to ignore or underrate the importance of building spiritual civilization. In building spiritual civilization, we should bear firmly in mind these principles and axioms, restudying them from time to time.

At the Sixth Plenary Session of the Central Discipline Inspection Commission, Comrade Chen Yun pointed out: "Socialist construction comprises building the socialist material civilization and socialist spiritual civilization. These two cannot be separated from one another. The socialist cause is not to build a pure material civilization or a pure spiritual civilization. Moreover, in carrying out the socialist cause, it is impossible to build material civilization first while leaving the work of building spiritual civilization for later." This also expounds on the relationship between the building of the two civilizations according to fundamental Marxist theories and principles and states clearly that the socialist cause is one marked by the simultaneous building and development of the two civilizations. Otherwise, it is not comprehensive and cannot be called a complete socialist cause. The essence and axiom of this agree with Comrade Deng Xiaoping's remarks cited above. We should also bear this firmly in mind and restudy it from time to time.

To sum up, the building of spiritual civilization and ideological and political work take care of the people's ideological consciousness, ideals, faith, political orientation, and mental state. They have a direct influence on their enthusiasm, initiative, and creativity in participating in national construction and on their work orientation and the road they are going to take. For this reason, we cannot do without the building of spiritual civilization and ideological and political work for a single moment in our endeavor to develop the socialist economy, promote our material civilization, and bring about the all-round progress of our society.

We must do as the comrades of the Standing Committee of the CPC Central Committee have stressed, so as to greatly strengthen and never weaken the work of building a socialist spiritual civilization and carrying out ideological-political work. First of all, we must overcome any ideological tendency to despise ideological-political work and the work of building spiritual civilization. Once our ideological consciousness has been raised, we should take concrete actions. In strengthening ideological-political work and the work of building spiritual civilization, we must vigorously carry out education in ideals, discipline, situation, policies, and the four cardinal principles.

Only by carrying out education on these questions can the broad masses of party members and cadres and the broad masses of people become more capable of resisting the erosion of various decadent ideologies and the influence of bourgeois liberal ideology. Only thus can they become more courageous in fighting against the various malpractices that are harmful to the interests of the people and various corrupt phenomena which are harmful to the general mood of the society, so as to fundamentally improve the party style and general mood of the society and guarantee the smooth progress of the reform and the cause of building the four modernizations.

All units, regardless of whether they have completed party rectification, must seriously study and understand the important guidelines underscored at the conference and resolutely follow these guidelines while carrying out their party rectification tasks, consolidating and developing what has been achieved during the party rectification and conducting day-to-day affairs in party ideology, work style, discipline, and organizational construction so that the important guidelines may truly develop into a powerful force guiding our party rectification and building to success.

II

The four basic tasks of party rectification -- unifying ideology, rectifying style, strengthening discipline, and purifying organization -- are an interrelated entity and must be accomplished simultaneously. Of course, in accomplishing these tasks the various units involved in party rectification can work according to their respective situations and can concentrate their efforts on a certain aspect. The development of party rectification shows that we still need to strongly stress rectifying party style and successfully carrying out this task. This was task underlined by the conference.

Fundamentally improvising the party style is a heavy task for us. Rectifying the party style is vital to accomplishing the entire task of party rectification, guaranteeing and pushing forward with reform and the construction of the four modernizations. Without a good party style, a lofty ideal and a strict discipline, a devoted spirit of serving the people heart and soul, but with a corrupt style of seeking private interests by using powers and positions, using public office for private gain and practicing bureaucracy, our party will lose its real strength and become unable to accomplish its historical task, thus disappointing the people. The true nature of the question of party style is the question concerning fundamental relations between the party and the people.

So the question of party style is a question concerning the life and death of our ruling party. The 12th party congress proposed to fundamentally improve the party style and general mood of our society within 5 years. If we fail to lay a good, solid foundation for a fundamental improvement in our party style and the general mood of society in the 3 years of party rectification, the specific work of our party rectification will have been done poorly. Now, party rectification has been carried out for almost 2 years and there is not much time left for us. Party committees at various levels must pay great attention to this question.

Rectifying party style means relying on the efforts of the entire party. It requires all party members to exercise their supervisory roles. Above all, leading party cadres at all levels, especially high-ranking cadres and veteran party members and cadres, including those who have retired or left their positions or retired to the second front, should set examples, for as far as rectifying party style is concerned all party members should be included. It is necessary to commend in a big way outstanding party members and cadres who dedicate themselves wholeheartedly to serving the people and do not hesitate to sacrifice their individual interests. We must publicize their advanced deeds and ideas. It is necessary to resolutely expose and combat corrupt phenomena that undermine party style and social atmosphere. If we persist in commending the good, punishing the bad, upholding justice, straightening out malpractices, and work along both lines, there is a strong likelihood that we can fundamentally improve our party style.

While the work of rectifying party style is to be carried out in party organizations at all levels and among all party members, emphasis should be on leading organs and cadres at the county level and above. We must first rectify the work style of leading organs and cadres and, according to the actual situation, resolutely deal with instances of bureaucracy and seeking private interests by making use of power and position among leading organs and cadres. We must deal seriously with those people who try to shield one another or bend the law for the benefit of relatives or friends during the process of investigating and straightening out malpractices. Why should the emphasis be placed on leading organs and cadres at the county level and above? The reasons are obvious: One is that there is indeed a question of unhealthy practices among some leading organs and cadres. There are also cases of serious violation of discipline and law.

Because they exercise overall leadership and supervision of work in an area or department, such malpractices can result in greater harm. Another reason is that the masses are watching our leading organs and cadres to see whether they can truly set examples and take the lead in rectifying unhealthy practices. If we fail to first seriously resolve the question of unhealthy practices among leading organs and leading cadres and make them examples for the grass-roots party organizations and the masses inside and outside the party, it is likely that unhealthy trends and civil practices will spread because "those in subordinate positions will follow the examples of their superiors."

At present, in some areas, the malpractices are very serious. Some people who have committed serious crimes are protected by people at various levels. Is it enough to punish the criminals only? The broad masses of the people are indignant when they see violations of discipline and law, with cadres shielding one another and bending the law for the benefit of relatives or friends. Is this problem so serious as to warrant the attention of party committees at various levels? Comrade Chen Yun said: "If there are cadres who turn a blind eye or take a laissez-faire attitude toward the unhealthy tendencies that are harmful to socialist construction, party style, and social atmosphere, we must punish the individual cadres and investigate and affix responsibility on the party committee, even on the party commission for discipline inspection of that unit and that area." Here, I'd like to add that the leading organ of party rectification in that unit and that area should be included.

In a word, rectifying party style is an important task of the present party rectification and a major event in our party construction. We must mobilize the entire party membership to participate in it and pool the wisdom and efforts of all the party members. Prefectures and counties that are presently engaged in party rectification should do their work well. Units that have completed party rectification should continue to strengthen their work. The Hunan Provincial CPC Committee and some other areas have proposed to "review" the work of party rectification. I think this is a good idea because we should not think that once party rectification work is over, everything is all right. What should be "review"? We should mainly "review" whether the party style is correct or not and whether unhealthy tendencies have been checked or not. We should see whether the people or instances of serious violation of discipline and law have been dealt with or not, whether the work there conforms with party discipline or national law, whether the masses are satisfied or not, and whether there are any problems that need to be solved resolutely and immediately.

We must further strengthen the leadership of party rectification. A party should manage its affairs. This is an important principle that must be strictly followed and enforced in the work of party committees at all levels. In addition, implementation of this principle should be regularly checked and studied. Failure of a party committee to manage party affairs constitutes a serious and fundamental dereliction of duty. For a long time, this question was not resolved satisfactorily in our inner-party life. Now, leading comrades of party committees in some areas and departments are not paying attention to the work of party rectification and not strengthening the leadership of party rectification. What does this mean? It means the party committee has failed to manage its affairs. This is an old defect! We must correctly deal with the relationship between party rectification and reform of the economic structure, preventing them from becoming "two skins."

Some people think that party rectification, especially the move to straighten out malpractices, has affected and obstructed our reform and economic work. This view is absolutely wrong and groundless. If we cannot succeed in the work of party rectification and the work of straightening out malpractices, reform and the practice of invigorating the economy will not be able to create a good political or social environment.

Instead, we will probably deviate from the correct orientation, being restricted, twisted, and destroyed by various kinds of so called "counter-measures." As a result, some people will violate laws and discipline under the pretext of carrying out "reform." In the course of party rectification, we must seriously resolve questions in our inner-party life, especially the prominent questions of party style and discipline, vigorously strengthen ideological-political work, and push forward the party's ideology, work style, and organizational construction.

SUCCESS IN NUCLEAR FUSION DEVICE RESEARCH REPORTED

HK111053 Beijing CHINA DAILY in English 11 Dec 85 p 5

[By Li Jinqi]

[Text] Chinese scientists have obtained important data in their experiments on the country's largest controlled nuclear fusion device, the "H1-1", since it went into operation in September last year. More than 70 experts attending a technical appraisal meeting in November agreed that all operations so far conducted had proved satisfactory, demonstrating the basic capacity of the "H1-1" and providing a good "plasma" for further study.

Scientists said the device, located at the Southwest Physics Research Institute at Leshan City, Sichuan Province, had sustained a plasma current for one second, rarely seen in similar test devices abroad. They said this success marked an important step in China's research into medium-sized nuclear fusion devices, a field led by Britain, the United States, the Soviet Union, Japan, Federal Germany, France and Italy. The research aims to control the fusion process when the hydrogen isotopes deuterium and tritium fuse at an extremely high temperature, and then to fully utilize the energy released.

Fusion is what keeps the sun and the stars burning, and the process which occurs in a hydrogen bomb explosion. One litre of sea water contains three milligrams of deuterium which, through fusion, can release energy equal to that of 300 litres of petrol. Deuterium can be extracted from sea water, and the radioactive wastes from fusion is small compared to that from nuclear fission plants. So fusion power is safer than fission.

If the fusion process can be harnessed, it could give the earth a practically inexhaustible source of energy from sea water. Scientists expect that nuclear fusion power plants will go into operation around the year 2000.

Qian Shangjie, deputy director of the Southwest Physics Research Institute, who is in charge of the H1-1 physical experiments, said the approved device would help Chinese scientists continue their research, train personnel and acquaint them with the laws governing controlled fusion and solve related technical problems.

China began fusion research in the 1950s and has built a dozen small and medium-sized "tokamak" test devices. The H1-1 has provided valuable experience for building larger devices, Qian said. During the Seventh Five-Year Plan period, China did not intend to build larger ones because of the costly and time consuming high-tech development involved, he said. "Chinese scientists hope to expand co-operation and technical exchange with foreign colleagues in this field," Qian said. Since 1984, more than 250 nuclear fusion experts from Australia, Federal Germany, France, Italy, Japan and the United States have visited the Southwest Physics Research Institute. Chinese scientists have made study tours abroad and attended international symposia.

The H1-1 was designed by the Southwest Physics Research Institute under the Ministry of Nuclear Industry, and all its equipment was developed by over 100 factories, research institutes, universities and colleges.

TEXTILE INDUSTRY ADVANCES, OUTPUT VALUE RISES

OW111235 Beijing XINHUA Domestic Service in Chinese 0301 GMT 11 Dec 85

[By reporter Li Anding]

[Excerpt] Beijing, 11 Dec (XINHUA) -- As of the end of November, the majority of China's textile goods had overfulfilled their production plans set forth in the Sixth 5-Year Plan. The national textile department estimated that the total output value for 1985 is expected to reach 87.5 billion yuan, up 48.8 percent compared to 1980. The average annual growth rate during the Sixth 5-Year Plan period is 8.3 percent.

During the Sixth 5-Year Plan period, China's textile industry has undergone a major shift from developing production to developing more varieties and designs. The cloth coupons used by 1 billion people over the past 3 decades have been abandoned and cotton textile supply has been amply ensured.

To meet market demand, the textile industry has readjusted product mix, cut down production of some unmarketable pure cotton piece goods, and increased production of popular textiles in short supply by big margins. Comparing this year's estimated output to the output in 1980, chemical output doubled and reached around 900,000 metric tons; woollen fabric output doubled and reached 200 million meters; woollen blanket output increased 1.2-fold and reached 19.5 million pieces; knitting wool output rose 93 percent and reached 110,000 metric tons; and polyester long fiber fabric output grew 4.2-fold and reached 110,000 metric tons.

XI ZHONGXUN, OTHER LEADERS WATCH HISTORICAL PLAY

OW060556 Beijing XINHUA Domestic Service in Chinese 1600 GMT 5 Dec 85

[Text] Beijing, 5 Dec (XINHUA) -- The Qin opera troupe of the Shaanxi Provincial Drama Research Institute, which is taking part in the 1985 national theatrical festival in Beijing, staged its premiere of a new historical play "The Ancient Emperor" at the People's Theater this evening. Xi Zhongxun, Deng Liqun, Ma Wenrui, and other leading comrades watched the show.

"The Ancient Emperor" is a story about the king of Qin, who, after assuming the reins of government upon coming of age following his coronation in 123 B.C., listened to the warnings of capable ministers and boldly undertook measures for political reforms.

During the performance the performers received continual applause from the audience for their excellent show. After the show, Xi Zhongxun, Deng Liqun, and other comrades mounted the stage to congratulate the performers on their success.

NORTHEAST CHINA ECONOMIC ZONE JOINT CONFERENCE

SK080608 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 7 Dec 85

[Text] The first joint conference of the three provincial leaders of the northeast China economic zone and the three provincial heads of the Northeast China Planning Office was held in Shenyang recently. Hou Jie, governor of Heilongjiang Province, and (Zhou Qihui), deputy secretary of the Harbin City CPC Committee, attended the conference.

The conference participants conscientiously discussed the work done by the Northeast China Planning Office over the past 2 years since its establishment, the future tasks of the office, relevant questions concerning the Seventh 5-Year Plan for northeast China, and the work of carrying out reform, opening to the outside world, and vigorously promoting horizontal economic cooperation.

The conference maintained: Over the past several years, there has been a good trend in developing horizontal economic cooperation in northeast China. We should enhance our understanding of horizontal economic cooperation from the high plane of carrying out reform and opening to the outside world. [words indistinct] The conference, through consultation on the basis of equality, defined 13 major cooperative items, such as the three provinces joining hands to build the Dalian economic development zone and to produce northeast China products that enjoy a stable market. The conference also expressed the hope that the fraternal provinces and cities inside and outside northeast China will [words indistinct], run plants and organize cooperatives and associations in the northeast China economic zone.

HEILONGJIANG SECRETARY INSPECTS GRAIN PRODUCTION

SK111218 Harbin Heilongjiang Provincial Service in Mandarin 2200 GMT 8 Dec 85

[Text] After listening to the work report of Zhaodong County on 5 December, Sun Weiben, secretary of the provincial CPC Committee, said that grain production is of extreme importance, and we should formulate proper policies that will aid the peasants in reaping profits from grain production.

Zhaodong County has placed grain production before everything else. The total grain production this year reached 1.03 billion jin, the second bumper harvest year in history, despite this year's serious disasters. The bumper grain harvest has further promoted livestock and industrial production. Sun Weiben said: We must neither ignore grain production nor take grain as the key link. But we should grasp grain production in light of the idea of developing commodity production.

While inspecting the village-run industrial enterprises in (Changxing) Village of (Haicheng) Township, he praised the township government for using more than 800,000 yuan of funds from the profits gained by township-run enterprises for village subsidies to lighten the burdens on specialized households engaged in grain production. He said: It is rather difficult for the specialized households to become rich by relying on grain production only. We must not stress the importance of grain production orally, but rather formulate proper policies to support grain production, to promote the profitability of grain production, and to at least narrow the gaps between grain production and other trades. By so doing, we can really arouse the enthusiasm of those who engage in grain production.

Sun Weiben said: In purchasing grain from the peasants, the grain departments should grasp reasonable standards for checking and accepting grain, pay attention to safeguarding the enthusiasm of the peasants for grain production, and conscientiously implement the guiding principles of the party and the state on encouraging the peasants to develop grain production.

Grain departments and other departments concerned should practically support the peasants in grain production, render good service to them, and safeguard the interests of the specialized households engaged in grain production.

JILIN COMMENTATOR ON DECLINING GRAIN PRODUCTION

SK111110 Changchun JILIN RIBAO in Chinese 27 Nov 85 p 1

[Commentator's article: "Grain Production Must Not Be Slackened"]

[Text] At the National Conference of Party Delegates, Comrade Chen Yun pointed out in his speech: "Feeding and clothing a billion people constitutes one of China's major political as well as economic challenges, for 'grain shortages will lead to social disorder.' We cannot afford to underestimate this matter." These remarks, no doubt, serve as a timely reminder to some localities that have slackened grain production. We should earnestly study and understand them and, like Lishu County, adopt all measures that can be adopted to protect peasants' enthusiasm for grain production, give play to the advantage of marketable grain bases in grain production, and further promote the rural economy and rural reform.

Peasants' low enthusiasm for grain production and the tendency of slackening grain production in some localities should be attributed, in essence, to economic reasons. They can be summarized as follows: The first reason is the poor economic results in grain production. During the past 2 years, the prices of industrial goods for farm use, such as farm machinery, irrigation and drainage machinery, diesel oil, chemical fertilizer, and other means of production, and the charges for mechanized farming, have risen by a very large margin. In this way, the cost of grain production has risen, and economic returns in grain production have been notably reduced. When the increase in the cost of grain production is larger than the increase in the economic returns from increased grain production, peasants will certainly cut their investment. Compared with grain crops, some cash crops require about the same amount of investment but yield much greater economic returns. As long as the market demand for cash crop products remains fairly great, the trend of reducing grain acreage will be difficult to control.

In the past, peasants enjoyed the state's preferential prices when selling their surplus grain. Now that the quota for contract purchase is lower than the total amount of marketable surplus grain, grain farmer's income earned due to implementation of policies becomes relatively lower. Because of the rather long cycle in grain production, profits from investment in grain production are much lower than those from rural industries and other undertakings. Therefore, peasants with the ability to carry out various operations actively create favorable conditions in other fields of production with greater profits; hence, the situation in which laborers shift to other fields of production, bringing their funds with them.

The second reason is the heavy social burdens for grain farmers. At present many localities mix up the agricultural tax that a peasant pays to the state with collective accumulation and the fees he shares with society. They collect fees from peasants according to the acreage they farm, and the number of members in their households and the number of their laborers, thus making grain farmers share most of the burdens. In this way, peasants engaged in other fields of production enjoy higher income and lighter burdens, and grain farmers have lower income but heavier burdens. This not only dampens the enthusiasm for grain production but also weakens the ability to expand grain production.

The third reason is that grain conversion lags behind, thus making it difficult for surplus grain to realize its social value. Peasant households in grain production areas generally possess certain amounts of surplus grain. A fundamental way of on-the-spot conversion is to develop animal husbandry. At present, because the scientific methods, of livestock raising have not been truly popularized, and payment and economic results from animal feed production are low and not notable, the ability to convert grain has yet to be greatly increased. When peasants see the difficulty in smoothly realizing the social value of the products produced by their labor, it will be hard to eliminate their worries about grain production.

From the above-mentioned reasons, we can see that we should not put the blame for the tendency of peasants to slacken in grain production on the peasants alone. Nowadays, peasants are no longer small-scale commodity producers under natural economic conditions. Instead, they are market-oriented, independent producers and distributors of commodities. In their activities to produce and distribute commodities, the first thing they consider is their own microeconomic results. They shift the focus of their operations to wherever better economic results can be achieved. We cannot reproach them for this.

Leading comrades at various levels of many localities have noted the tendency of slackened grain production and the danger it can, in all likelihood, create, but they are at a loss as to what to do. As a matter of fact, in addition to the prices of grain, which should be considered by the state, other fields of work, such as lightening the burden of peasants, increasing the ability to convert grain to increase its value, reducing the cost of grain production, popularizing new agrotechnologies, and increasing per-mu yields, can also be carried out successfully. Therefore, in a certain sense, in order to solve the problem of peasants' negligence in grain production, we should, first of all, enhance understanding of this problem among leading cadres at various levels, and adopt necessary measures to protect peasants' enthusiasm for grain production and create material conditions for the smooth progress of the second step of rural reform.

JILIN GRAIN PRODUCTION IN SIXTH 5-YEAR PLAN

SK110223 Changchun Jilin Provincial Service in Mandarin 2200 GMT 10 Dec 85

[Text] Grain production in our province has developed rapidly during the Sixth 5-Year Plan period. In 1984, the province's grain output reached 32.69 billion jin, registering an increase of 15.5 billion jin over 1980. The average annual increase was nearly 3.9 billion jin, higher than that of any other 5-year plan period since the founding of the PRC. In 1984, the per-capita amount of grain was 1,436 jin in our province, ranking first in the country, and showing an increase of 658 jin over 1980.

During the Sixth 5-Year Plan period, governments at all levels throughout the province have attached great importance to grain production while carrying out reform thoroughly in rural areas, thus maintaining a steady growth in grain production, and ensuring the smooth progress of the economic reform in both urban and rural areas. Continuous growth in grain production has promoted the restructuring of agriculture in the province. This year in the arrangements of crops, we have put more efforts into changing coarse food grain into flour and rice in accordance with market and social demands. We have properly readjusted and reduced the acreage sown to corns, and expanded the areas sown to rice, soybeans, and cash crops. This year, paddyfields in the province increased by 850,000 mu or nearly 20 percent, and soybean fields by 360,000 mu or 6 percent. The areas sown to cash crops, such as oil-bearing crops, beets, melons, fruits, tobacco, and vegetables, showed an increase of nearly 50 percent over last year.

LIAONING SECRETARY DISCUSSES PARTY STYLE

SK091256 Shenyang LIAONING RIBAO in Chinese 18 Nov 85 p 2

["Excerpts" of speech entitled "Improving Party Style Should Begin With Leading Organs and Leading Cadres", given by Li Guixian, secretary of the Liaoning Provincial CPC Committee, at a meeting to exchange experiences in improving party style sponsored by the provincial CPC Committee -- date not given]

[Text] The conference on exchanging experiences in the work to improve party style sponsored by the provincial CPC Committee is an important conference to further implement the guidelines of the National Conference of Party Delegates, to improve party style, and to promote reform. Now I will speak on the following issues:

1. Correctly estimate the situation of party style of our province. Comrade Xiaoping pointed out: "At present, in building the spiritual civilization, we must first concentrate on bringing about a fundamental improvement in party style and in general social conduct," and "the improvement of party style is the key to improving general social conduct." As far as party style is concerned, our province, like other parts of the country, has done a great deal of work during the past few years, and has scored very good achievements. Dominant aspects regarding the party style situation are good. However, party style is still not ideal, and many serious problems still exist. In judging party style, we should make an overall estimation and proceed from the overall situation instead of having our view of the important overshadowed by the trivial, and negating everything on the basis of what happened at a certain time, or the deeds of a certain person. Only when we correctly estimate the situation and achievements can we steel our confidence.

The several phenomena mentioned by Comrade Bo Yibo in his speech on party rectification and party building all exist in our province. The first is forgetting about justice the moment one sees profits. Some people took advantage of their authority in the fields of personnel, finance, and material supply to conduct blackmail and seek selfish interest. They violated party discipline and state law, and created a very bad influence among the masses. The second is "putting money above everything else." For instance, some people established "companies" under various names to buy up goods and resell them at a profit, and to engage in profiteering and swindling in pursuit of illegal gains. Some people tried every means to issue bonuses and materials arbitrarily, and some organs and institutes concocted various pretexts to collect unwarranted fees. The third is the great development of the bureaucratic work style. Some leading cadres conducted neither investigations nor study, made false and exaggerated reports, and used their power to make ill-considered decisions, thus causing great economic losses to the state. The fourth is that the unhealthy trends prevailing in housing distribution and job arrangements for children of leading cadres over many years have not been corrected thoroughly.

In recent years, other unhealthy trends, such as going abroad or touring with public funds, and trying to obtain foreign goods with the state's foreign exchange, have emerged. Some people even indulged in such unhealthy trends at the expense of national and personal dignity. These phenomena have seriously undermined the party's prestige and image, and adversely influenced the relations between the party and the masses. The masses have many complaints about them, and call urgently for sternly punishing all black sheep who, wearing the "hats" of party members, undermine the socialist cause. Therefore, at present we should correctly and clearly understand the situation of party style, enhance our confidence, and adopt all effective measures to solve the problems in party style in a down-to-earth manner so that the party style of our province can be improved as soon as possible.

2. The whole party should participate in improving party style. A key issue in improving party style is that the whole party should participate in it. Only by so doing can the present serious problems in party style be solved. 1) We should first pay attention to leading bodies if we are to pay attention to party style. Comrade Chen Yun pointed out: "We must on no account dismiss the importance of improving party style. First, party organizations at all levels should pay full attention to this. Second, leading cadres at all levels, particularly senior ones, should do so and set good examples. Third, veteran party members and cadres should pay full attention to the task." This shows that efforts should first be made to pay attention to the party style of leading bodies at all levels. CPC committees of the province, cities, counties, and townships; party branches of villages; CPC committees and party leading groups of organs; and CPC committees of enterprises, colleges, and universities should all examine their party style. The Standing Committee of the provincial CPC Committee already decided that, by the end of the year, all Standing Committee members should hold their own regular party activities once to examine their party style emphatically in addition to participating in the regular activities of the party branches to which they belong. It also urged CPC committees at various levels to conduct self-examination during regular party activities. Every level should be responsible for the next lower level. The provincial CPC Committee should be responsible for the party style of city CPC committees, and the CPC committees and party leading groups of provincial organs. City CPC committees should be responsible for county CPC committees, and the CPC committees and party leading groups of large enterprises and city organs. In this way, every level should hold responsibility for the next lower level until the party style of grass-roots party members is attended to. It is necessary to conduct criticism and self-criticism, and carry out necessary ideological struggles. Those who corrupt party style and violate party discipline should be duly punished according to party and administrative discipline. The provincial CPC Committee entrusted the provincial Discipline Inspection Commission with examining the party style of the CPC committees and party leading groups of provincial organs. Not only the organs but also their subordinate units and the trades and fronts to which they are related should be examined. 2) We should place improvement of party style in a prominent position in the party rectification drive. If a unit fails to solve its problems in party style after party rectification, this means that it has conducted party rectification perfunctorily. The units participating in the first-stage party rectification did not perform too ideally in improving party style, although they achieved certain results in improving themselves ideologically and organizationally, and in terms of work style. All units that have completed party rectification should conduct an overall examination of their work of improving party style while relaying and implementing the guidelines of the National Conference of Party Delegates, and make an overall report on their party style improvement work to the party rectification office of the provincial CPC Committee and the CPC committees of the organs of the provincial CPC Committee and government before the end of the year. Those who still have many problems should solve them within a definite time period. Units that are carrying out second-stage party rectification should regard party style improvement as a focus, and emphatically solve well the problems of abusing power for selfish interest, of serious bureaucracy, and of unhealthy trends.

3) The CPC committees and party leading groups of various provincial departments should attend to party style when carrying out their vocational work. They cannot say that the work to improve party style has nothing to do with them, since unhealthy trends permeate all vocational activities. A small number of party members and cadres were engaged in unhealthy trends during their vocational activities. Some party and government organs in charge of certain trades disregarded state laws and regulations, and abused their power to indulge in unhealthy trends. They took the opportunity of reform and availed themselves of the loopholes of reform to try to obtain money and materials for themselves or their own units at the expense of the state's interest, and even violated party discipline and state law to engage in bribery. Some localities and departments had rather serious problems, such as the collection of unwarranted fees, blackmail, and abuse of power for selfish gains. All departments in charge of vocational work should attach great importance to this, and pay attention to improving party style while carrying out their vocational work. Industrial, commercial, banking, tax, health and quarantine, and traffic administrative departments should greatly strengthen the work in this regard. They should successfully improve their party style while conducting the current financial and tax inspection and consolidation of "companies" and "centers."

4) We should pay attention to the building of grass-roots party organizations. Every party member, however high his position, is a member of a party branch. If a party branch is not built successfully, does not enforce the system of regular party activities, and does not conduct criticism and self-criticism, it cannot play its role as a fighting bastion, and cannot perform its function of supervising party members. Therefore, party branch building is an important link in improving party style, and CPC committees at all levels should attach importance to it. In rural areas, some party branches do not have sound organizations, fail to play their role, and do not carry out regular party activities, let alone conducting criticism and self-criticism, and carrying out ideological struggles within the party. In some industrial and mining enterprises, colleges and universities, and scientific research units in urban areas, party members are few, and party branches cannot be established at and in shops, workshop sections, departments, and grades. Even if party branches were to be established, their activities would be few. Some party branches of the sections and offices of organs also fail to play their role. Therefore, party branch building is an important link in improving party style, and CPC committees at all levels should attach great importance to it, and exert great efforts to make grass-roots party organizational building successful.

5) We should work out and improve various rules and regulations. Many new circumstances and new problems will crop up in the new situation of reform. For this reason, we should formulate necessary rules and regulations, urge everyone to abide by them, and see to it that there are rules and laws to follow.

6) We should intensify the propaganda and education on improving party style. Comrade Deng Xiaoping recently stressed the need to strengthen ideological and political work. In attending to ideological and political work, the most important part is to conduct education on the four basic principles, and education to urge the people to have ideals, moral integrity, education, and a sense of discipline, in particular, ideals and discipline. We should oppose and resist the corrosive influence of capitalist and feudal ideas, and oppose bourgeois liberalism. Our propaganda, educational, and cultural departments should actively educate the people to foster ideals and abide by discipline in line with the guidelines of the speech by Comrade Xiaoping.

3. Step up investigations and handling of major and appalling cases. A very important reason why some people have exploited the loopholes of reform in the past years is that some of our party organizations and law enforcement departments are weak and lax, and are slack in abiding by discipline. In some departments, people who engaged in unhealthy trends suffered no harm at all. On the contrary, they were promoted and placed in important positions, with the result that good people were bullied, bad people did whatever they pleased, and unhealthy trends prevailed. CPC committees and discipline inspection commissions at various levels should conscientiously check to see whether or not the major and appalling cases occurring in their own units have been thoroughly investigated and handled. With regard to the localities and units where unhealthy trends prevail, are left unchecked, and have not been corrected over a long period of time, not only the persons who violate laws and discipline but also their major leading persons should be held accountable, and those who shield people who break the law should be dealt with according to law. At present, we should concentrate efforts on eliminating the companies engaged in speculation and swindle. Companies without fixed assets and regular personnel should be resolutely banned, those who violate law and discipline by participating in speculation, swindle, and other illegal activities should be sternly punished, and those who shield the illegal activities of such companies should also be dealt with according to party discipline and state law.

4. Strengthen the building of the party's Discipline Inspection Commission, and safeguard the authority of the discipline inspection work. At present, in the new historical period of reform, our work volume is large and our task heavy in strengthening party spirit and improving party style; therefore, we should reinforce the building of the party's discipline inspection departments. CPC committees at all levels should support discipline inspection work, and safeguard the authority of discipline inspection departments. Discipline inspection commissions at various levels and the masses of discipline inspection cadres should take the initiative in putting themselves under the leadership of CPC committees, do their work actively and successfully, and establish the authority of discipline inspection organs through their outstanding performance and exemplary deeds. They should make contributions to improving party style and promoting the two civilizations.

JI PENGFEI INTERVIEWED ON HONG KONG VISIT

HK120140 Hong Kong WEN WEI PO in Chinese 11 Dec 85 pp 1, 2

["Special Interview" with Director Ji Pengfei on board his airplane 10 December by correspondent Liu Min-yi: "The Venerable Ji Answers Our Reporter's Questions"]

[Text] Question: Director, I am very glad to have the opportunity of interviewing you. Will you say something about your thoughts and expectations on your current visit to Hong Kong?

Thoughts and Expectations

Answer: This is my first visit to Hong Kong. Since the Sino-British joint declaration on the question of Hong Kong was signed, many Hong Kong public figures and members of the Basic Law Drafting Committee have suggested that I should come to Hong Kong and have a look at the place. In the first 3 days of the current visit, I am a guest of the Hong Kong governor, Sir Edward Youde. I will take this opportunity to listen to his views on maintaining Hong Kong's prosperity and stability and to exchange views with him on the situation.

Besides, I also wish to listen to views of people from various circles on drafting the basic law of the Hong Kong Special Administration Region, to see old friends, and to understand everyone's opinions on maintaining Hong Kong's prosperity and stability and on drafting the basic law. The basic law must conform to the concept of "one country, two systems" and be suited to Hong Kong's concrete situation. It is necessary to listen to everyone's views on how to attain this goal. This is the chief purpose of my current visit.

Question: You must be very busy with your friendly exchanges these few days. May I ask how you will tackle your work?

Also Listen to Opinions of the Hong Kong Side

Answer: I don't mind being busy. To begin my work, I will mainly solicit the opinions of people of various circles through the Basic Law Drafting Committee and the Basic Law Consultative Committee. I will also listen to the opinions on Hong Kong's affairs of Hong Kong officials.

Question: Will you talk about the reform of Hong Kong's political system?

Answer: The reform of the political system at present is related to the basic law in the future. Therefore, I also want to listen to their opinions.

Question: What do you think about the situation of Sino-British cooperation?

Sino-British Cooperation Is Not Bad

Answer: In implementing the joint declaration, both the Chinese and British sides have made a great deal of effort and have implemented it relatively well. If some problems remain, I think that they can be solved through negotiations. In the course of drafting the joint declaration, the cooperation was not bad. Since matters of principle were solved in the joint declaration, I believe that concrete problems can also be properly solved.

Question: Director Ji, you have emphasized exchanging views. May I ask what this means exactly?

Answer: For example, regarding the question of Hong Kong, we do not know what the British side has in mind; nor does it know what we have in mind. This requires more contacts and exchanges of views. Again, we have read views aired by some people in Hong Kong's newspapers and we do not know what they mean. Therefore, more exchanges are needed.

Minor and Major Changes

Question: In talking about "minor and major changes" recently, you said: Hong Kong's major aspects will not change much. Small and concrete changes, if the people wish, are all right. Would you please explain this?

Answer: Of course, it is all right to have changes in small matters and matters which do not have much influence. The joint declaration has already stipulated that major matters, that is, the social and economic systems and the way of living, will not change. These are major questions and major aspects. They have been stipulated in the joint declaration. We hope that things not included in the joint declaration can be negotiated and hope not to see major changes. The hangover of political power is a major matter and it involves the question of our country's resuming the exercise of sovereignty. All considerations must be based on this.

Question: You have put forward that Hong Kong's development depends on everyone using his head. May I ask how you wish everyone to use his head?

Answer: To be specific, this means making more suggestions on drafting the basic law. It is the duty of the Basic Law Drafting Committee and the Basic Law Consultative Committee to draft the law and to collect opinions on it. People of various circles may put forward whatever opinions they have either through the Basic Law Drafting Committee and the Basic Law Consultative Committee or directly to me.

Question: Finally, would you please talk about what you expect from Hong Kong compatriots?

Answer: I hope that Hong Kong compatriots can make common efforts to maintain Hong Kong's prosperity and stability -- to maintain its prosperity and stability not only before 1997 but also after 1997. We must look at questions from a long-term point of view. We should not only see what is before our eyes but also see what will be several decades from now. In discussing the question of Hong Kong, we should have an overall and long-term point of view.

At present, the process of drafting the basic law has just begun. Nobody can tell clearly at present what the basic law will be like. It is necessary to listen to everyone's views first before thinking things over carefully. What is crucial is to consider future questions in advance. Otherwise, it would be improper if only the present is considered and if the situation changes in the future and things only then are found to be inappropriate. Therefore, it would be improper if the future is not considered now and things do not match then. Therefore, it is necessary to go about things steadily and think about things more carefully. I hope that Hong Kong compatriots can deepen their understanding on this question.

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